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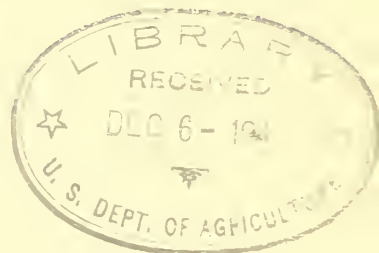


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VOL. III NO. 5

May 1939

# Foreign Agriculture



*..... a Review of Foreign  
Farm Policy, Production,  
and Trade*

Issued Monthly by  
UNITED STATES DEPARTMENT OF AGRICULTURE  
FOREIGN AGRICULTURAL SERVICE

WASHINGTON, D. C.

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## SOUTHEASTERN EUROPE'S TRADE INCREASINGLY DOMINATED BY GERMANY . . .

. . . By Hans Richter\*

*The national economies of Germany and the countries of southeastern Europe are largely complementary. Germany is highly industrialized and a heavy importer of various raw materials; while southeastern Europe is predominantly agricultural, with fairly large surpluses of farm products, timber, and certain mineral products for export, in return for imports of all kinds of manufactured goods. Consequently, Germany has always been an important factor in the foreign trade of southeastern Europe, and has become increasingly so since the advent to power of the National Socialist regime. In fact, present Germany's participation in the foreign trade of that region, implemented by barter (compensation) and clearing agreements, has now reached a stage of virtual domination, with all its political implications. Moreover, Germany aims to promote and expand the output of the Danubian countries in agricultural products and industrial raw materials, which in turn will intensify that area's economic dependence on the Reich.*

### GENERAL FEATURES OF GERMAN TRADE EXPANSION

The occupation and annexation by Germany in March 1939 of practically all of Czechoslovakia, with the exception of the extreme eastern edge of the Republic known as Carpatho-Ruthenia, has greatly increased Germany's economic hold on the countries of southeastern Europe. This increase in German economic influence in southeastern Europe to a point virtually approaching domination of that region's foreign trade follows upon the equally important expansion of German influence in 1938 through the incorporation into Germany of the Republic of Austria in March and the so-called Sudeten districts of Czechoslovakia in October. The extent of Germany's share in the foreign trade of southeastern Europe is the measure of that region's economic dependence on the German Reich.

Ever since Germany embarked on a policy of economic expansion and national aggrandizement in 1933, the German share in southeastern Europe's export and import trade has risen from year to year, though not without temporary set-backs. It is true that these increases were partly at the expense of Austria's share, yet both countries taken together showed increases as well. From 1933 to 1936, Germany was destined to become more important in the import-export trade of the Danubian countries - Bulgaria, Hungary, Rumania, and Yugoslavia - as well as in that of Greece and Turkey.

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### Trade Needs of Germany and Southeastern Europe

After 1933, an expanding Germany was in urgent need of southeastern Europe's agricultural products and raw materials, while the countries constituting that region welcomed the opportunity to dispose of their surpluses at a time when world trade had risen only slightly and there was little chance of significantly increasing trade with other countries. And since bilateral trading by that time had been developed into a practical method of foreign trade (notwithstanding the serious limitations involved), German goods were gladly accepted in exchange for agricultural and other raw-material surpluses.

Nevertheless there were hitches, disputes, and temporary difficulties attending this trade conducted largely on a barter (compensation) basis. Germany drove hard bargains with the countries of southeastern Europe, forced goods upon them that they did not need, or had large clearing balances piled up in their favor, thus virtually borrowing funds from the poorer countries to the southeast. Since the farmers in these countries had to be paid for their hogs, wheat, and corn, whether Germany had paid or not and whether Germany delivered goods for consumption or for long-time investment schemes, domestic financing (primarily governmental) had to step into the breach. Because of this situation, ultraconservative domestic central banking in the southeastern European countries was forced into somewhat more liberal credit policies, particularly needed in view of the negligible extent of domestic investment initiative.

### Enlarged Trade in General Mutually Satisfactory

In general, the countries involved seem to have found the expansion of reciprocal trade fairly profitable; and, although Germany may have gained relatively much more, in an economic sense it was not bad business for the other countries either, though attended by certain handicaps. During these years - 1932 to 1936 - the share of exports to Germany in Bulgaria's total exports rose from 26 percent to 48 percent; in Hungary's, from 15 to 23 percent; in Rumania's, from 12.5 to 18 percent; in Yugoslavia's, from 11.5 to 23.5 percent; in Greece's, from 14.5 to 36.5 percent; and in Turkey's, from 13.5 to 51 percent. Conversely, the share of imports from Germany in total imports rose from 26 to 58 percent in Bulgaria; from 22.5 to 26 percent in Hungary; from 23.5 to 36 percent in Rumania; from 17.5 to 26.5 percent in Yugoslavia; from 9.5 to 22.5 percent in Greece; and from 23.5 to 45 percent in Turkey.

Moreover, under the policy of equalizing balances of payments (clearings) as between Germany and each of the other trading countries, traditional heavy excesses of imports by Hungary and Yugoslavia from Germany were almost eliminated in 1933 and 1934 and were reversed into export surpluses vis-a-vis Germany in subsequent years. On the other hand, Rumania and Bulgaria, as well as Greece and Turkey, which had always had export surpluses in their trade with Germany, in general remained net exporters to the Reich, though with the expansion of both imports and exports the extent of the surpluses was reduced.

There was a temporary set-back in German-southeastern European trade in 1936-37 when world trade expanded, commodity prices soared, and Danubian products were once more salable in Western Europe in larger volume. Because of the recession in the latter half of 1937, however, this brief upswing of trade with Western Europe was checked. In any case, the year 1938 would doubtless have seen the resumption of German domination of Danubian trade, even if Germany meanwhile had not annexed another important consumer of Danubian products - Austria.

In regard to the Danube Basin countries, the annexation of Austria raised the German share in the exports to 40 percent in 1938, compared with a share



(excluding Austria) of 23 percent in 1936 and 1937. In imports, Germany's share (including Austria) amounted to 42 percent in 1938, as against 32 percent (excluding Austria) in 1936 and 1937.

### German Share of Trade Greatly Increased Since 1929

The trade significance of the further inclusion of Czechoslovakia in the territory of the German Reich may be gaged by adding to the calculated trade shares of 1938 the percentages of former Czechoslovakia. The resulting percentage shares of present Germany, including annexed Czechoslovakia as well as Austria, in Danubian exports and imports, are 48 percent and 50 percent, respectively. These compare with a percentage for the old Reich of 17 in Danubian exports and 20 in Danubian imports in the year 1929, the precrisis peak of German trading with this region. The share of trade with the Danube countries enjoyed by the area now constituting Germany, however, does not appear to have changed significantly during the past 10 years. (See table 2.) Developments in Germany's trade with Greece and Turkey have been similar to those in the trade with countries of the Danube Basin (Bulgaria, Hungary, Rumania, and Yugoslavia). The extent of the growth in their trade dependence upon the German Reich is shown, individually, for each of these southeastern European countries in the following table.

Table 1. Germany's percentage share in total imports and exports of the several southeastern European countries, by value, 1929-1938

Country	1929	1933	1937	1938	
				Including Austria	Including Austria and Czechoslovakia
	Percent	Percent	Percent	Percent	Percent
<u>Bulgaria</u>					
Imports....	22.2	38.2	59.9	52.0	57.9
Exports....	29.9	36.9	49.9	58.9	63.5
<u>Hungary</u>					
Imports....	20.0	19.6	25.8	41.2	48.4
Exports....	11.7	11.2	24.0	45.9	50.1
<u>Rumania</u>					
Imports....	24.1	18.6	28.9	a/ 39.5	a/ 48.4
Exports....	27.6	10.6	19.2	a/ 27.2	a/ 37.7
<u>Yugoslavia</u>					
Imports....	15.6	13.2	32.4	39.4	50.1
Exports....	8.5	13.9	21.7	42.0	52.7
<u>Greece</u>					
Imports....	9.4	10.2	27.2	b/ 29.7	b/ 31.5
Exports....	23.2	17.9	31.0	b/ 32.7	b/ 36.7
<u>Turkey</u>					
Imports....	15.3	25.3	42.1	c/ 46.4	c/ 50.4
Exports....	13.3	17.8	36.5	c/ 41.6	c/ 45.4

Statistisches Handbuch der Weltwirtschaft, Statistisches Reichsamt, Berlin, 1936; and official foreign-trade statistics of the individual countries.

a/ January-October.

b/ Data for 1938 not yet available; figures used are those for 1937.

c/ January-November.

## Foreign Agriculture

Table 2. Foreign trade of the Danube Basin countries, expressed in percentages of total trade value, 1938 with comparisons

Country	Imports						Exports					
	1929	1931	1933	1935	1937	1938	1929	1931	1933	1935	1937	1938
<u>Bulgaria</u>	Per- cent	Per- cent	Per- cent	Per- cent	Per- cent	Per- cent	Per- cent	Per- cent	Per- cent	Per- cent	Per- cent	Per- cent
With Germany.....	22.2	23.3	38.2	59.7	-	-	29.9	29.5	36.0	48.9	-	-
With Austria.....	7.6	7.2	6.2	7.5	-	-	12.6	16.7	9.1	1.1	-	-
Total above.....	29.8	30.5	44.4	67.2	58.2	52.0	42.5	46.2	45.1	50.0	46.9	58.9
With Czechoslovakia.....	9.0	9.2	4.8	7.5	5.0	5.9	4.8	4.6	3.5	1.9	5.6	4.6
Total above.....	38.8	39.7	49.2	74.7	63.2	57.9	47.3	50.8	48.6	51.9	52.5	63.5
With others.....	61.2	60.3	50.8	25.3	36.8	42.1	52.7	49.2	51.4	48.1	47.5	36.5
<u>Hungary</u>												
With Germany.....	20.0	24.4	19.6	22.7	25.8	29.9	11.7	12.7	11.2	23.9	24.0	27.7
With Austria.....	13.2	12.5	19.9	18.8	18.0	11.3	30.4	29.8	27.0	19.1	16.8	18.2
Total above.....	33.2	36.9	39.5	41.5	43.8	41.2	42.1	42.5	38.2	43.0	40.8	45.9
With Czechoslovakia.....	21.5	9.2	10.1	4.8	6.2	7.2	16.4	4.2	7.3	4.6	3.6	4.2
Total above.....	54.7	46.1	49.6	46.3	50.0	48.4	58.5	46.7	45.5	47.6	44.4	50.1
With others.....	45.3	53.9	50.4	53.7	50.0	51.6	41.5	53.3	54.5	52.4	55.6	49.9
<u>Rumania</u>												
With Germany.....	24.1	29.1	18.6	23.8	28.9	36.9	27.6	11.5	10.6	16.7	19.2	26.3
With Austria.....	12.5	8.9	9.2	10.8	8.5	2.6	9.4	10.7	6.6	12.6	6.8	0.9
Total above.....	36.6	38.0	27.8	34.6	37.4	39.5	37.0	22.2	17.2	29.3	26.0	27.2
With Czechoslovakia.....	13.6	12.2	9.8	13.0	16.1	8.9	6.2	7.0	4.8	5.9	8.2	10.5
Total above.....	50.2	50.2	37.6	47.6	53.5	48.4	43.2	29.2	22.0	35.2	34.2	37.7
With others.....	49.8	49.8	62.4	52.4	46.5	51.6	56.8	70.8	78.0	64.8	65.8	62.3
<u>Yugoslavia</u>												
With Germany.....	15.6	19.3	13.2	16.2	32.4	32.5	8.5	11.3	13.9	18.6	21.7	35.9
With Austria.....	17.4	15.2	16.1	11.9	10.3	6.9	15.6	15.1	21.7	14.3	13.5	6.1
Total above.....	33.0	34.5	29.3	28.1	42.7	39.4	24.1	26.4	35.6	32.9	35.2	42.0
With Czechoslovakia.....	17.5	18.2	12.1	14.0	11.1	10.7	5.4	15.5	10.8	13.4	7.9	10.7
Total above.....	50.5	52.7	41.4	42.1	53.8	50.1	29.5	41.9	46.4	46.3	43.1	52.7
With others.....	49.5	47.3	58.6	57.9	46.2	49.9	70.5	58.1	53.6	53.7	56.9	47.3

a/ January-October.

Statistisches Handbuch der Weltwirtschaft, Statistisches Reichsamt, Berlin, 1936; and official foreign-trade statistics of individual countries.



Through a well-planned regional-trade policy, followed by territorial expansion, the German share in southeastern Europe's trade was almost trebled during the 10-year period 1929-1938. The Danubian countries have become vitally dependent upon Germany as a buyer of their surpluses and as a source of needed imports. Germany, moreover, with its present measure of economic and political influence, can virtually dictate the terms of trade, set the type of products and goods desired, and thus determine the commercial, economic, and agricultural policies of these countries. 1/



Fig. 1. Germany, showing territory occupied since 1937.

### PROSPECTS AND POTENTIALITIES

It becomes increasingly improbable that the agricultural countries of the Danube Basin, overpopulated agriculturally without exception, will be allowed to choose a policy of well-balanced domestic industrialization and expansion as a way out of their economic difficulties. With the ascendancy of German politico-economic influence, it appears more and more likely that this alternative solution of the Danubian economic problem will be postponed indefinitely. It seems probable also that its place will be taken by the development of the production of agricultural and industrial raw materials, under the direction of Germany, to cover a substantial share of the latter's deficit requirements. The Danube Basin's dependence on the German Reich will thus be intensified.

With the annexation of Austria and Czechoslovakia and the added economic, military, and political power of the Reich over southeastern Europe, Germany has, to a large extent, assumed the heritage of the Austro-Hungarian monarchy. The former

1/ Closely following Germany's annexation of Czechoslovakia, a trade and economic treaty was concluded between the German Reich and Rumania for a period of 5 years. This agreement provides for an extraordinary degree of participation by Germany in the economic affairs of Rumania. Details of the agreement are discussed in an article in the April 1939 issue of Foreign Agriculture, entitled "The German-Rumanian Economic Agreement."

"Mitteleuropa" scheme of making the Danubian countries an agricultural and raw-material province of an expanded Germany is approaching its realization.

The agricultural and raw-material potentialities of southeastern Europe are great, and the progress hitherto made in developing them has been only moderate. Ultraconservative economic and financial policies, lack of organization and entrepreneurial spirit, the historical background, and the prevailing social conditions in these countries have not been conducive to independent economic expansion and social modernization.

If the resources of the Danubian area are now to be developed under German leadership, within a relatively short period of time and despite certain difficulties this region can doubtless cover practically all of Germany's remaining import requirements of foodstuffs and feedstuffs except fats. A substantial share of certain other raw materials could also be provided by this area.

An energetic policy of development fostered by Germany could hardly fail to raise agricultural production in the Danube Basin to the point of filling German import needs of wheat and corn, and, to a large extent, animal (and vegetable) fats, other livestock products (including wool, hides, and skins), fresh and dried fruits, tobacco, Hemp, flax, and medicinal plants. In exchange for the additional Danubian supplies, Germany would deliver capital goods and equipment for the development and exploitation of the Danube Basin's agricultural, forest, and mineral resources.

Under the arrangements just described a period of "modern imperialism" may thus be in store for southeastern Europe; or, in other words, the imposition by Germany on that region of a status falling somewhere between what might be regarded as colonial exploitation and autonomous domestic development of its resources in agriculture, industry, and manpower. It is scarcely to be doubted that such a course of events would ultimately result in a formidable increase in the agricultural and industrial producing capacity of that region, thereby further reducing continental Europe's dependence on trade with overseas countries.

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## EFFECTS OF THE DROUGHT AND PURGE ON THE AGRICULTURE OF THE SOVIET UNION . . .

. . . By Lazar Volin\*

*The two outstanding features of the Soviet agricultural situation during the past year were the severe drought and the wholesale purge of personnel. It was as if man and nature had combined to inflict a heavy loss on agriculture, on which the majority of the people of the Soviet Union depend for their livelihood. It is the purpose of this article to describe and trace, as far as possible, the effects of these two phenomena on the various phases of Russian agriculture.*

Soviet agriculture, unlike its counterpart in capitalistic countries, knows no crises of overproduction or price recessions caused by business depressions. It is not bedeviled by technological unemployment, in spite of increasing mechanization. But it is not free from crises and their attendant misery and discontent caused by a combination of natural and political factors. Into such a crisis Russian agriculture was plunged in the late twenties and early thirties, during the period of compulsory collectivization of small peasant farming accompanied by the "liquidation" of the *kulaki* and the organization of giant mechanized state farms. Recently, it has again been experiencing something of a crisis as a consequence of the purge and the drought that occurred last year.

### THE DROUGHT

Severe droughts with resulting crop failures have been a frequently recurring phenomenon in Russia. During the present decade, for instance, there were serious droughts in 1931, 1934, 1936, and 1938. Previous decades would yield a somewhat similar picture.<sup>1/</sup> This situation is hardly surprising in view of the fact that a great deal of Russian farming is carried on under semiarid conditions of light and uncertain precipitation, strongly resembling those prevailing in the semiarid northern part of our Great Plains region. Since this salient aspect of Russian agriculture is often lost sight of in popular discussion, which dwells usually on the wealth of agricultural resources of the Soviet Union, it may be worth while to recall here briefly some of the neglected basic facts.

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<sup>1/</sup> For data on the prerevolutionary period, see a study by V. M. Obukhov in a collection of essays entitled *Vliianie Nevozhazhev na Narodnoe Khozaystvo Rossii* (The Effect of Crop Failures on the National Economy of Russia), Part I. Edited by V. G. Groman, Moscow, 1927.





## Semiarid Conditions

How large the semiarid zone is in the Soviet Union can be seen from the following description by one of the foremost Russian authorities on dry farming:

"The European part [of the semiarid zone] begins with the narrow strip at the western borders of the U.S.S.R. along the shores of the Black Sea; this strip gradually widens to the northeast, where it includes the southern portion of the chernozem zone, or what the soil experts designate 'Southern Chernozem.' To the south it embraces the chestnut brown to light gray, semi-arid soils, which were formed under conditions of considerably less precipitation and more insolation than the true black-earth soils to the north. The isohyet of 400 millimeters [16 inches] of annual precipitation, which is adopted conditionally as the northern border of the Dry Region, passes a little south of Kharkov, Voronej, Tambov, and Penza. The line then follows north of Ulianovsk and Samara, circles around the foothills of the Ural Mountains near Ufa, and then goes east into Siberia. As has been previously stated, the northern boundary of the Dry Region in Siberia follows the southern limit of chernozem soils. This boundary passes a little north of Petropavlovsk and Omsk to the foothills of the Altai Mountains. South of this boundary nearly the entire area in the U.S.S.R. has the characteristics of the Dry Region, i.e., climatic conditions, and locally soil conditions, also, unfavorable to crop production in greater or lesser degree. . . . the total area of the Dry Region may be roughly estimated at 5,400,000 square kilometers (2,100,000 square miles). This is about one-fourth of the total land area of the U.S.S.R."<sup>2/</sup>

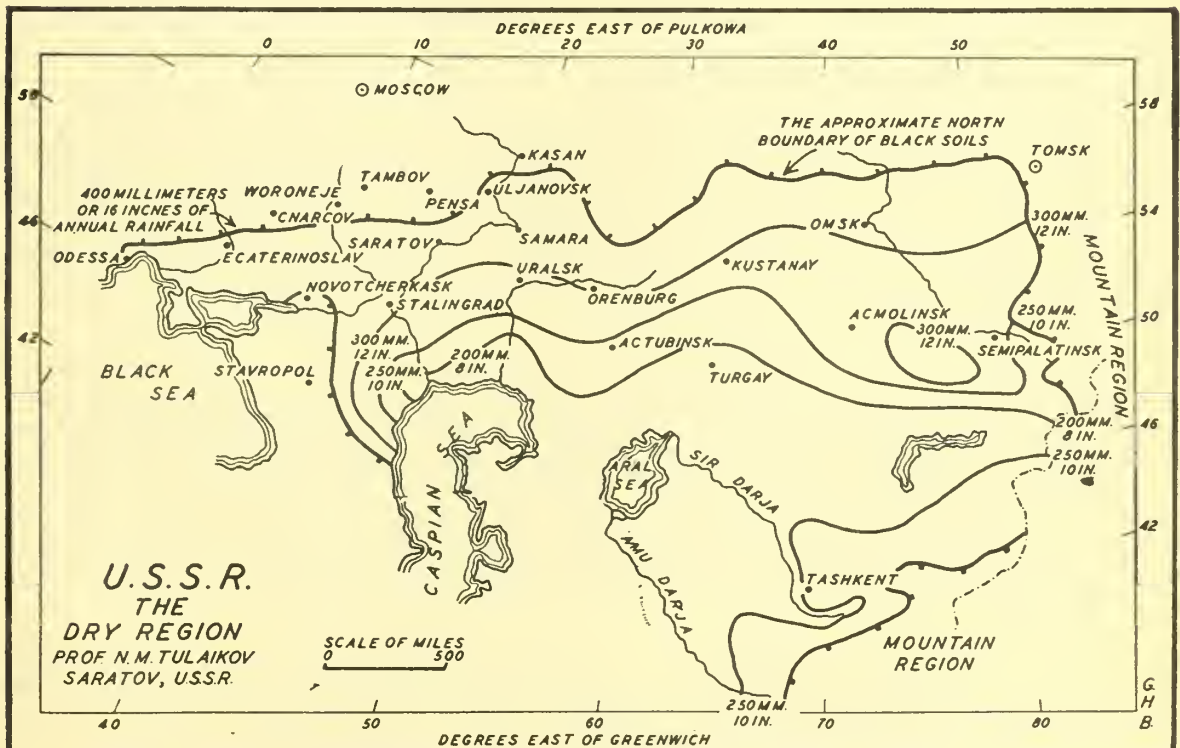


Fig. 2. The relation of the rainfall to the soils, natural vegetation, and agriculture of much of the richest crop-producing area, particularly in the dry-farming regions of Russia is peculiarly significant. On the map the isohyets within the Black Soil Belt reveal this significant and intimate relation. (Courtesy of the editors of *Economic Geography*.)

<sup>2/</sup> Tulaiov, N.M., "Agriculture in the Dry Region of the U.S.S.R.," *Economic Geography*, January 1930, pp. 54-55. The term "semiarid" is used in the present article in preference to "dry" as it corresponds better to the terminology adopted in the United States.



The importance of the semiarid zone in Russian agricultural economy, however, cannot be adequately measured in such terms. It is more significant that it comprises many of the most fertile regions of the Union, including a large slice of the Ukraine or, in other words, some of the most important agricultural territory of the country.<sup>3/</sup> Wheat, and above all spring wheat, which accounts for over 60 percent of the Russian wheat acreage, is especially concentrated in the semiarid zone.

As was mentioned previously, the Russian semiarid zone has its counterpart in the northern Great Plains area of the United States. While absolute comparison of the size of such areas in the two countries is difficult, it would seem that the semiarid zone must loom larger in the agricultural economy of the Soviet Union than in that of the United States; for "Russia has nothing corresponding to three of the most productive regions of the United States - the Mid-Latitude Region, the Corn Belt, and the Cotton Belt, all of which have been of tremendous importance in the production of the agricultural wealth of the United States."<sup>4/</sup>

We have already seen that the precipitation in this area is generally light, averaging 16 inches or less a year, and that moisture is the limiting factor in crop production. Even more important, however, are the year-to-year variations from the average and the often irregular seasonal distribution of rainfall. Normally, precipitation increases in the spring months, reaches a maximum in the summer, and then declines to a minimum in the winter. Nevertheless, a more or less prolonged dry spell is apt to occur in April, May, and early June during the critical period in the growth of crops when the moisture supply accumulated during the autumn and winter months is quickly used up by the growing plants and when evaporation increases because of the rapidly rising temperature. It is the latter that makes the drought so dangerous in this area as compared with the more northern regions, which have lower temperatures and therefore less evaporation. The situation is often aggravated in the semiarid zone by the so-called *sukhovei*, a hot, dry, parching wind blowing from the deserts of Central Asia (into which the Russian semiarid zone gradually merges), which plays havoc with the growing crops. Sometimes the spring drought is broken by beneficial rains late in May or in June, which improve the condition of crops; but in other years the drought continues unbroken through a large part of the summer. a dry spell also often occurs in the autumn and is sometimes followed by a light snow cover in the winter. Such a winter preceding a spring drought makes the latter especially dangerous.

It is significant that all crops do not react to drought in the same manner. The crops affected most adversely by the spring and summer droughts are the early spring-sown grains, wheat, oats, and barley. Winter (fall-sown) cereals stand these better but are usually affected by the autumn drought, especially if it is followed by a light snow cover in the winter. On the other hand, cultivated or row crops, such as corn, sorghum, sunflower seed, and millet, which are planted late and can utilize the summer rains, are little influenced by a spring drought. Thus the most devastating effect of drought is experienced by the early spring-sown cereals, headed by spring wheat.

While formerly this group of crops predominated everywhere in the Russian semiarid zone, today we can divide this zone from the standpoint of crop distribution roughly into two large regions: the southern, including the southern steppe, Ukraine, and Crimea (Krym); and the eastern, comprising a part of eastern Ukraine and a large part of the basins of the rivers Don and Volga in European Russia, as well as the

<sup>3/</sup> Cf. V. P. Timoshenko, *Agricultural Russia and the Wheat Problem*, 1932, pp. 9-12.

<sup>4/</sup> Harbut, C. F., "Agriculture in the United States and Russia, A Comparative Study of Natural Conditions," *Geographical Review*, October 1931, p. 612.

adjoining Asiatic steppes. In the first region, spring wheat has largely given way to winter wheat, grown with the aid of more intensive farm technique, especially summer fallowing. Row crops also play an important role in the acreage. In the eastern semiarid region, however, spring wheat is still the king among crops, while winter-wheat acreage is insignificant because of hazardous growing conditions (a severe winter, frequently with light snow cover, preceded by a dry autumn). The leading winter crop, therefore, is the less valuable but more hardy rye. As a result, winter crops occupied over 40 percent of the total sown area in southern Ukraine in 1935 (the last year for which detailed statistics are available) as against 26 percent in the middle and lower Volga Basin. Cultivated crops are also less important in the Volga area, constituting only 7 or 8 percent of the acreage compared with from 15 to 20 percent in southern Ukraine.

As a consequence of this preponderance of early spring cereals, caused principally by climatic conditions, droughts are especially injurious in the eastern semiarid region, particularly the Volga area, while the southern region with a larger proportion of winter and cultivated crops is usually less severely affected. It is in the east, moreover, that drought conditions most frequently occur. It was estimated that during the period of nearly half a century that has elapsed since the catastrophic crop failure of 1891, in only 11 years was there a good moisture supply in this region; in 22 there were partial droughts during the growing season; and in 15 there were full-fledged droughts.<sup>5/</sup> Thus, although each drought has its own geographical pattern, it may be said that the focal center of the drought area has usually been in the important spring-wheat regions of the southeast, particularly in the basin of the Volga and adjoining Asiatic regions.

### The 1938 Drought and the Food Supply

While information on crop conditions during the past year is largely fragmentary, such data as are vouchsafed to us point to an exceptionally severe drought. An editorial in *Sotsialisticheskoe Zemledelie* (the organ of the Commissariat of Agriculture of the Soviet Union and related organizations) for November 15, 1938, actually speaks of 1938 as one of the driest in 150 years. In any case, there seems to be little doubt that the past year was one of the driest in recent times in the southeastern regions. This can be seen, for instance, by a comparison of rainfall data for nine weather stations in the Volga area in 1938 with data for the catastrophic year 1891 and the year 1908. In 1891, the April-September rainfall amounted to 164 mm. (6.5 inches); in 1908 to 171 mm. (6.7 inches); and in 1938 to only 139 mm. (5.5 inches). One station located east of the Volga in 1891 recorded 87 mm. (3.4 inches); in 1908, 113 mm. (4.4 inches); and in 1938, 105 mm. (4.1 inches).<sup>6/</sup> Moreover, in 1938, there were indications of a deficiency of accumulated soil moisture during the preceding autumn and winter months in the southeast; and the snowless winter in a number of southern regions likewise did not augur well for the crops. The drought continued into the summer and fall and also hit the normally more humid central and north-central regions. The extent of the deficiency of moisture can be gaged from the fact that the July-September rainfall in some sections of the Volga area during the summer was only from 13 to 25 percent of normal and in the central and north-central regions from 23 to 42 percent, according to A. V. Protserov, Acting Chief of the Agro-Meteorological Division of the Central Institute of Weather of the Soviet Union.<sup>7/</sup>

As far as one can judge on the basis of available information, the 1938 drought affected most severely the spring-wheat belt and the central rye-producing regions

<sup>5/</sup> Itskov, N. Ia., *Sotsialisticheskoe Zemledelie* (Socialist Agriculture), October 22, 1938.

<sup>6/</sup> *Ibid.*

<sup>7/</sup> *Sotsialisticheskoe Zemledelie*, November 15, 1938.



of the European part of the Soviet Union; but part of the winter-wheat belt in eastern and central Ukraine was likewise unfavorably affected. The rapid and simultaneous ripening of different grain crops as a result of the hot weather, and widespread shattering, together with previous lodging of grain, increased the difficulty of harvesting, which has been the weak spot of Soviet collectivized agriculture in spite of increasing mechanization of harvesting operations.<sup>8/</sup> There were many complaints in the Soviet press of inefficient organization of harvesting work. Poor condition of the combines and tractors due to faulty repair work, shortage of spare parts and fuel, and inadequate training and experience of many combine operators,<sup>9/</sup> who were unable to cope with the difficult harvesting situation, made for frequent stoppages and unsatisfactory work, delayed the harvest, and caused considerable crop losses. In the Dnepropetrovsk, formerly Ekaterinoslav, Province of Ukraine, losses of 20 or 30 percent were intimated.<sup>10/</sup> Reports from other sections of Ukraine, Crimea, etc., were of a similar tenor.

On the other hand, the harvest in Siberia - an important spring-wheat-growing section - which was not affected by drought, also caused a great deal of concern to the Government. For abundant rainfall resulted in rank growth and lodging of crops, which made the cutting of the grain with combines very difficult. Harvesting plans were therefore disorganized and the harvest delayed, with much grain lying unprotected in the fields, a prey to the elements. Large crop losses were reported, seriously reducing what was supposed to have been an excellent outturn.

In spite of the highly unfavorable growing and harvesting conditions, the official estimate of the 1938 total grain crop, given for the first time by Stalin in his report to the Eighteenth Party Congress,<sup>11/</sup> was not only higher than the figure for the 1936 production, which was also affected by severe drought, but even higher than that for 1935, when the acreage was somewhat larger and growing conditions much more favorable.<sup>12/</sup> (See table 1.) Such a relationship between estimates for different years cannot be accepted.

In general, Soviet crop figures since 1933, with their emphasis on the so-called biological yields of grain growing in the field and normal crop losses, have not taken fully into account changes in condition and the large harvesting losses, which it is believed have, if anything, increased during the past 2 years.<sup>13/</sup> It is therefore considered necessary to reduce the official estimates by 10 or 15 percent for the years 1933 to 1936 and by 20 or 30 percent for the past 2 years in order to obtain for the actual "barn" crop more or less reliable figures that are at all comparable with data for the period prior to 1933. Incidentally, in spite of the huge harvesting losses in 1937, the original estimate of that year's crop of 111.4 million metric tons, which was an all-time record figure and considered greatly overestimated, was nevertheless raised again to 120.3 million tons. This, of course, is far too high a figure even for the admittedly excellent 1937 crop grown under exceptionally favorable weather conditions.

8/ In 1937, over a third of the grain acreage in collectives was cut with combines compared with less than 1 percent in 1932. There is considerable variation in this respect between different regions, combine harvesting being less developed in the eastern than in the southern regions. See article by A. Martunov in *Sotsialisticheskoe zemledelie*, March 8, 1939, and a speech by Borkov at the Eighteenth Party Congress, *Prauda*, March 19, 1939.

9/ Many tractor and combine operators, however, have made fine records of achievement, according to Soviet sources.

10/ *Prauda*, July 19, 1938.

11/ *Ibid.*, March 11, 1939.

12/ The generally poor quality of the 1938 grain crop must also be taken into consideration. See *Foreign Crops and Markets*, September 24, 1939, p. 202.

13/ For a more detailed discussion of this question, see L. Volin, "Recent Agricultural Developments in the Soviet Union," *Foreign Agriculture*, January 1937, pp. 22-23.

Table 1. Official estimates of area and production of grains in the Soviet Union, average 1928-1932 and annual 1933-1938 <sup>a/</sup>

Year	Area	Production	
	<u>Million acres</u>	<u>Million short tons</u>	
Average 1928-1932.....	244.2		81.1
1933.....	250.9	b/	99.0
1934.....	258.7	b/	98.5
1935.....	235.5	b/	99.3
1936.....	253.0	b/	91.2
1937.....	258.0	b/	132.6
1938.....	253.0	b/	104.7

a/ Includes wheat, rye, oats, barley, corn, millet, buckwheat, and minor grains and legumes.

b/ Production estimates for 1933-1938 not comparable with previous years unless reduced by 10-15 percent for 1933-1936 and 20-30 percent for 1937 and 1938.

Official sources.

In the past, a severe drought like that of 1938, which invariably resulted in a crop failure, brought in its train a great deal of social and economic distress to the Russian countryside. Famine conditions, epidemics, increased mortality, serious reduction of livestock population (including work horses), shortage of seed for planting, decrease in acreage under crops - such is the picture of destitution that prevailed in the Russian village, where the majority of peasants even in good years lived close to the margin of subsistence. <sup>14/</sup> Paradoxically enough, the Russian farmers, who often suffered these privations, helped by large grain exports during the second half of the nineteenth century to eliminate "the age-long dread of famine from the peasants and people of Western Europe." Thus they, together with the farmers of the United States and other overseas countries, made their contribution to a task for which, according to an eminent British economic historian, the nineteenth century would deserve credit even if it had done nothing else. <sup>15/</sup>

A sharp contrast has been drawn by Soviet spokesmen between conditions prevailing in the Russian countryside during drought years under the old regime and at present. "The socialist economic system, collective farming, has forever rid the countryside of the terrible misfortunes of the drought," wrote editorially *Sotsialisticheskoe Zemledelie* of October 27, 1938. "In a socialist economy the question of famine cannot even arise," declared *Izvestiia* on the same day. A high party official, A. A. Andreev, stated at the Eighteenth Party Congress in March 1939, "In our country famine is ruled out. In case of a short crop our party and Government will not let the collective farmers of the regions affected by crop failure starve." He referred in his statements to loans and rebates in taxation amounting to 103 million poods (1,854,000 short tons) of grain and more than 350 million rubles. <sup>16/</sup> The catastrophic famine of 1932-33, however, which carried in its wake a large toll of human lives, is still fresh in memory. That experience, so well described by W. H. Chamberlin <sup>17/</sup> and later by Eugene Lyons, <sup>18/</sup> coupled with paucity of reliable

<sup>14/</sup> Much statistical evidence on the social and economic effects of crop failures during the pre-war and early post-war periods was marshaled by a well-known Russian statistician, E. A. Cherevanin, in a study published in *The Effect of Crop Failures on the Russian National Economy*, pp. 162-164.

<sup>15/</sup> Clapham, J. H., *The Economic Development of France and Germany, 1815-1814*, Cambridge, 1936, p. 402.

<sup>16/</sup> *Pravda*, March 1939.

<sup>17/</sup> *The Iron Age of Soviet Russia*, Boston, 1934.

<sup>18/</sup> *Assignment in Utopia*, New York, 1937.

and timely information on the crop and its distribution, makes a great deal of caution necessary in passing any judgment on the Russian food supply. All that can safely be said is that the bumper 1937 crop, which undoubtedly made it possible to increase the Government grain reserves, should help to prevent widespread famine conditions from developing, although much hardship in those rural districts affected by crop failure may be expected.

An effort will undoubtedly also be made to prevent a worsening of the live-stock situation, which has shown considerable improvement during the past few years after the disastrous decline of the collectivization period in the early thirties. (See table 2.) It may also be considered a favorable omen for the state of the grain supply that the Soviet Government maintained exports during the current marketing year at a high level, while during the seasons following the drought years 1934 and 1936 exports were insignificant. (See table 3.) It is true that considerable quantities of grain were exported in the early thirties in spite of widespread starvation; but the Government, then in the midst of the first Five-Year Plan, was much more pressed for foreign exchange than at present.

Table 2. Number of livestock in the Soviet Union, 1916 and 1929-1938

Year a/	Horses	Cattle	Sheep and goats	Hogs
	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
1916.....	35.8	60.6	121.2	20.9
1929.....	34.6	67.1	147.0	20.4
1930.....	30.2	52.5	108.8	13.6
1931.....	26.2	47.9	77.7	14.4
1932.....	19.6	40.7	52.1	11.6
1933.....	16.6	38.4	50.2	12.1
1934.....	15.7	42.4	51.9	17.4
1935.....	15.9	49.2	61.1	22.5
1936.....	16.6	56.7	73.7	30.5
1937.....	16.7	57.0	81.3	22.8
1938.....	17.5	63.2	102.5	30.6

a/ Spring or summer.

Official sources.

Table 3. Grain exports through South Russian Ports, 1930-31 to 1938-39 a/

July 1 to March 31	Wheat	Corn	Barley	Rye	Oats	Total
	<u>Million bushels</u>	<u>Million bushels</u>	<u>Million bushels</u>	<u>Million bushels</u>	<u>Million bushels</u>	<u>Million short tons</u>
1930-31.....	87.1	2.2	45.6	10.2	13.7	4.3
1931-32.....	71.3	6.8	31.2	24.8	5.1	3.9
1932-33.....	17.3	5.8	15.3	5.0	5.3	1.3
1933-34.....	26.0	2.8	31.0	3.4	7.5	1.8
1934-35.....	3.8	1.0	6.0	1.3	12.8	1.0
1935-36.....	26.2	1.3	39.3	1.4	3.9	1.9
1936-37.....	b/	0	2.3	1.0	1.0	b/
1937-38.....	36.1	b/	9.8	1.1	0	1.4
1938-39.....	39.6	3.5	21.7	2.5	b/	1.9

a/ The bulk of Soviet grain exports is moved through these ports.

b/ Less than 0.5 million.

Compiled from George Broomhall's *Corn Trade News*.



The recuperative power of Russian agriculture has also been greatly increased by the substitution of mechanical power for horses. However inefficiently or wastefully tractors are used, they are not affected adversely, as were horses, by the lack of forage and the economic plight of the farmer following a crop failure. On the contrary, the number of tractors has steadily grown, as can be seen from the following table.

Table 4. Number of tractors and combines on farms in the Soviet Union, 1933-1938

Year	Tractors		Combines Thousands
	Number Thousands	Power capacity 1,000 horsepower	
1933.....	210.9	3,209.2	25.4
1934.....	276.4	4,462.8	32.3
1935.....	360.3	6,184.0	50.3
1936.....	422.7	7,672.4	87.8
1937.....	454.5	8,385.0	128.8
1938.....	483.5	9,256.2	153.5

*Pravda*, March 11, 1939.

Unfavorable climatic conditions not only affected last year's crop but also threaten the 1939 crop. The dry autumn and snowless winter in 1938-39 have endangered winter crops, the condition of which was officially reported unsatisfactory in the Volga Basin and partly so in the central regions of European Russia. Nor have weather conditions during the current spring been particularly favorable. A serious deficiency of moisture supply was indicated in a number of regions, according to a conference called by the Commissariat of Agriculture.<sup>19/</sup> Unlike last year, therefore, when there was at first a great deal of official optimism with respect to crop prospects, this year danger signals of another drought are already being posted; and the official slogan during the 1939 spring sowing campaign emphasized the utmost necessity for conservation of moisture. Obviously two successive drought years would present a much more serious problem than that which confronted the country during recent droughts, wedged in as these were between good crop years.

In addition to difficult climatic conditions, the spring sowing campaign in 1939 was handicapped, as in past years, by poor preparation. Since more than a fourth of the plan for fall plowing in 1938 was not executed, a much larger area remained to be plowed before sowing in the spring, particularly in the southeastern regions.<sup>20/</sup> This greatly increased the load of field work at a time when every day and every hour was valuable, since the optimum sowing period in many regions is short and a delay in seeding is detrimental to yields. Field work was also often hampered by shortage of seed, slow and poor repair of tractors and other machinery, etc., according to the Soviet press. Sowing operations on the whole, however, have shown better progress in the spring of 1939 than they did a year ago. On April 20, 1939, an area of 57,340,000 acres, or 28 percent of the sowing plan, was seeded compared with 50,950,000 acres, or 24 percent of the plan sown on the same date in 1938.

#### Remedial Measures

The evil of disastrous droughts and crop failures, involving great privations for the peasant population and serious repercussions on the whole national economy

<sup>19/</sup> *Pravda*, March 27, 1939; *Sotsialisticheskoe Zemledelie*, March 28, 1939.

<sup>20/</sup> Benediktov, I. A., Commissar of Agriculture of the Soviet Union, in *Sotsialisticheskoe Zemledelie*, March 8, 1939.

and often necessitating large-scale relief measures, has long attracted national attention in Russia, although beyond alleviating famine conditions no constructive remedial steps were taken before the World War. This could not but present a challenging problem to the Soviet rulers of the country. <sup>21/</sup> Certainly a thoroughly regimented and planned economic system like that of the Soviets can ill afford the disruptive influence of excessive crop fluctuations on its plans, however well it may claim to be equipped to cope with them. This is especially true when a government in a predominantly agrarian country like the Soviet Union is bending every effort toward industrialization and armament.

At any rate, the question of doing something constructive about the repeated drought, especially in the worst-affected southeastern regions, has for a number of years engaged the attention of Soviet authorities. A project that came much to the fore in this connection was that of irrigation. In the spring of 1932, a Government decree was issued calling for irrigation within the next 5 years of between 10 and 11 million acres in the Volga Basin to be devoted to wheat production. <sup>22/</sup> Two years later Stalin, touching on the same subject in his report to the Seventeenth Party Congress, stated that "as far as the irrigation of the Trans-Volga area is concerned - and this is the principal thing from the standpoint of combating the drought - this matter should not be delayed too long." <sup>23/</sup> He pointed out that the delay was due to "certain factors in the international situation," which diverted large resources for other purposes. He saw no reason, however, for postponing this task any longer. Nevertheless, irrigation in the southeast, while on the increase, still plays a very modest role. Its extension depends upon the vast schemes of hydroelectric power development on the Volga that are under construction. Therefore, while the development of smaller irrigation projects is being furthered, large-scale irrigation is still in the future and, except in limited sections, is not likely to be a serious rival of dry farming in the semiarid zone, as distinguished from the dry regions of central Asia (Turkistan) and Transcaucasia, where most of Russian cotton is grown under irrigation. <sup>24/</sup>

Far more important, therefore, are the improvement of farm technique and cropping systems and their better adaptation to climatic conditions of the semiarid regions. With this end in view, the various practices and methods presumably followed in the better collectives or recommended by experiment stations were crystallized in a program announced in a joint decree by the Council of People's Commissars of the Soviet Union and the Central Committee of the Communist Party, entitled "Concerning the Measures for Securing Stable Crops in the Dry Regions of the Southeast of the Soviet Union." <sup>25/</sup> It prescribes a comprehensive system of measures affecting numerous phases of collective and state-farm operations in the following regions: Saratov, Stalingrad, Kuibyshev (formerly Samara), Orenburg, Western Kazakhstan, Aktyubinsk (also in Kazakhstan), the German Republic of Volga, the northeastern districts of Voroshilovgrad Province (in southeastern Ukraine), the northern and northeastern districts of the Rostov region (Don Cossack area), and the southeastern districts of Voronezh and Tambov Provinces. Incidentally, this decree is corroborative evidence of the severity of the 1938 drought, which undoubtedly stimulated the decision of the Government to take this new step.

Among the farm practices that the decree prescribes, there is first of all "the compulsory agro-technical requirement" of deep plowing. The depth of plowing

<sup>21/</sup> See, for instance, speeches by V. Molotov (Chairman of the Council of People's Commissars) and M. Kalinin (Chairman of the Central Executive Committee of the Union) at a special conference called to discuss the drought problem in October 1931, *Sotsialisticheskoe kselledelie*, November 4, 1931.

<sup>22/</sup> *Izvestia*, May 23, 1932.

<sup>23/</sup> *Ibid.*, January 28, 1934.

<sup>24/</sup> See Louis G. Michael, "Cotton-Growing in the Soviet Union," *Foreign Agriculture*, August 1938.

<sup>25/</sup> *Pravda*, October 27, 1938.



is to be not less than 20 or 22 centimeters (approximately 8 or 9 inches), or to the extent of the whole plowable layer if its depth is less than 20 centimeters. To facilitate this, the prescribed standard fuel requirements of tractors are increased in all semiarid regions. The depth of plowing is to be strictly verified, and the machine-tractor stations and tractor drivers are held financially responsible for infractions of these regulations, with 50 percent of the cost of the fuel deducted from the wages of the tractor driver who violates these regulations and 10 percent from the salary of the brigadier (foreman of the tractor brigade).

Other practices required by the decree are cultivation of the stubble after the harvest and of the fall-plowed area in the spring and concentration of sowings of early spring cereals (wheat, barley, and oats) within a short period, varying from 5 to 8 days. Likewise, the various preliminary operations, such as harrowing and cultivation, are to be speedily performed. To encourage this, the wages of tractor drivers and collective farmers are to be doubled during the first 2 days of early spring harrowing and the first 6 days of cultivation and spring sowing. The standard fuel requirements of tractors are to be increased during the early days of spring sowings. By a decree of January 13, the increase in wages and standard fuel requirements in early spring is extended to all regions. <sup>22/</sup>

Another farm practice that is much emphasized is holding snow on the ground as a means of increasing the moisture supply in the soil. The decree also pays a great deal of attention to the seed supply and, among other things, requires that the best local seed be used as much as possible for sowing. This provision is apparently directed against the practice of shipping from other regions seed poorly adapted to local conditions. Furthermore, the decree calls for seeding 50 percent of the acreage under early spring cereals in the Kuibyshev and Orenburg regions and 40 percent in other southeastern regions with *iarovized* seed; i.e., seed especially treated to accelerate germination and growth.

The most important change envisaged in the cropping systems of these regions is a shift from spring to winter cereals, involving an expansion within the next 2 years of the acreage under wheat in collectives by more than 800,000 acres and under rye by about 450,000 acres. Moreover, the winter area on state farms is to increase by 225,000 acres. Winter wheat is not to be sown, as a rule, east of the Volga, because of the danger of winter-killing. Only early plowed fallows are to be used for sowing winter crops.

The spring-wheat area, which amounts to between 20 and 25 million acres in the southeast, is to be decreased by approximately 2 million acres and oats by over 300,000 acres. In addition, 250,000 acres of new land in Kazakhstan are to be put under cultivation and used for fallow and winter crops. Among the spring crops, millet, known for its drought-resistant qualities, was selected for an increase in area of about 470,000 acres in 1940. This constitutes 14 percent of the acreage specified by the 1938 sowing plan. Much attention is also paid by the decrees to the improvement of the cultural methods in the case of this crop. Finally, 8-, 9-, and 10-field rotation systems, including hay crops and early summer-fallow, are to be introduced on collective farms.

Further development of forest shelterbelts is called for by the decree. Many shortcomings in the planting of these forests were recorded in the Soviet press. In Stalingrad Province in the lower Volga, for instance, about 74 percent of the young forest plantings perished. <sup>22/</sup> Similar difficulties were experienced in other regions of the southeast. They are attributed to the poor cultural methods used and

<sup>22/</sup> *Finansovyi i Khozaistvennyi Buiilet*, No. 3, January 30, 1939.

<sup>22/</sup> *Sotsialisticheskoe Semledelie*, April 10, 1939.

to lack of care. It was charged in the article just quoted and other sources that many collectives and machine-tractor stations after planting "forget" all about them, and the costly young forest plantings "are overcome by weeds and perish in the dried-up soil," or, what is even worse, become a breeding ground for plant pests. <sup>28/</sup> Improvements in the methods used in planting and caring for the forest shelterbelts are set forth by the decree, which also establishes bonuses for the preservation of the new plantings. Incidentally, it was pointed out that much damage has been done to Soviet agriculture by the violation of the law forbidding the cutting of forests in certain important river zones, especially in Kalinin (formerly Tver) Province, which constitutes a watershed between the basins of the three seas, Black, Caspian, and Baltic. <sup>29/</sup>

Other measures specified by the decree include improvement and expansion of the irrigation network in the semiarid regions, the unsatisfactory condition of which came in for considerable criticism in the Soviet press. <sup>30/</sup> Plans have also been approved for the increase in number of tractors and other farm implements and for shipment of a considerable quantity of fertilizers to the semiarid regions. Special 1-month courses are to be set up for the purpose of improving the training of agronomists; and regional conferences, with the participation of representatives of the Commissariats of Agriculture and of State Farms, and of the Lenin Academy of Agricultural Science, have been called to discuss the best means of putting this program into operation.

These are the outstanding points in the far-reaching Government antidrought program, which occupies practically a whole page in Soviet daily newspapers. It is, of course, impossible at this juncture to say whether it will be effective or how much of it will actually be put into operation, as there is often a wide gap between Soviet plans and their execution. The fact, however, that economic stimuli are associated with some of the practices proposed makes the prospects of their being carried out better than would otherwise be the case, if experience is any guide. <sup>31/</sup> The sweeping uniformity of some of the farm methods insisted upon by the Government, however, as for instance deep plowing, <sup>32/</sup> may be questioned in view of the large territory in which they are to be applied. It is more reasonable to expect that the effectiveness of various moisture-conserving practices is likely to vary considerably from region to region, and in some cases they may even have an adverse effect. It remains to be seen, also, whether the shift to winter wheat called for by this program will be successful, considering the risk involved. If it is, it may be the forerunner of a greater expansion. <sup>33/</sup>

#### THE PURGE

The difficult battle with the elements has often been aggravated in Soviet agriculture by political factors. Such was the case during the crisis of the late twenties and early thirties, <sup>34/</sup> and again during the past 3 years. If 10 years

<sup>28/</sup> *Sotsialisticheskoe Zemledelie*, June 3, 1938.

<sup>29/</sup> Itskov, N. Ia., *op. cit.*

<sup>30/</sup> *Ibid.*; also A. I. Penkov, *Sotsialisticheskoe Zemledelie*, November 11, 1938.

<sup>31/</sup> The value of economic incentives in agriculture was stressed by Molotov (Chairman of the Council of People's Commissars) and other high officials at the Eighteenth Party Congress, in March 1939.

<sup>32/</sup> Deep plowing is stressed in the Soviet Union as a weed-control practice, since weeds have been a serious scourge of the collective fields.

<sup>33/</sup> A Government decree published in *Sotsialisticheskoe Zemledelie* of January 6, 1939, called for an increase of the area under winter crops, principally rye, in Western and Central Siberia, where they constitute a small proportion of the acreage.

<sup>34/</sup> Described by the author in "Agrarian Individualism in the Soviet Union; its Rise and Decline," *Agricultural History*, January and April 1938, and "Agrarian Collectivism in the Soviet Union," *Journal of Political Economy*, October and December 1937.



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ago it was the warfare of the Kremlin against the *kulak* that occupied the center of the agricultural stage, more recently it has been the purge of the "enemies of the people."

In contrast to the drought problem, which presents many difficulties but no mystery, the purge, which affected all branches of national life, remains baffling in its gigantic proportions and has no parallel in recent Russian history. We are not concerned here, however, with speculation about the rather obscure general causes of the recent upheaval and will confine ourselves to its concrete manifestations and effects on agriculture, which, in spite of the rapid march of industrialization, remains the backbone of Russian economic life.

The purge, as far as agriculture is concerned, has two distinct aspects. In the first place, it was directed, as everywhere else, against Soviet officialdom <sup>35/</sup> and, in the second place, against certain elements of the collectivized peasantry.

### Purge of Officials

The purge resulted in the wholesale liquidation, from top to bottom, of the administrative and technical personnel piloting the ship of collectivized agriculture. Nor is "from top to bottom" merely a figure of speech. It is true, the Commissariat of Agriculture became accustomed to the loss of its high officials, who were often accused of "wrecking" activities, even prior to the present liquidation move. In the early thirties, two assistant commissars, Wolf and Konar, were shot without a public trial and a third, Markevich, the originator of the machine-tractor station, was liquidated in an unspecified manner. But in 1937 the victim was the Commissar of Agriculture himself, M. Chernov, who was dismissed from his post, tried with Bukharin, Rykov, and other Soviet celebrities early in 1938, convicted, and shot. His successor, R. I. Eiche, a prominent Bolshevik, who fulminated, as did Chernov, against the wreckers in the Commissariat, silently disappeared from the public horizon shortly after his appointment. Only after a lapse of several months was this fact confirmed officially by the routine announcement of the appointment of another commissar.

The assistants of the commissar and other high functionaries of the Commissariat were also for the most part removed and often subsequently referred to in the press as "Trotskyist-Bukharinist wreckers" and "enemies of the people" on whose shoulders were placed most of the blame for the inefficiency, waste, and mistakes in the management of Soviet agriculture. The same condition prevailed in the Commissariat of State Grain and Livestock Farms, where commissars followed one another in rapid succession.

The fate that befell high officials epitomizes the situation throughout the ranks of the Soviet agricultural administration, not only in Moscow but in the Provinces. For instance, according to the *Sotsialisticheskoe Zemledelie* of September 26, 1938, as many as 3,000 new directors of the important machine-tractor stations were appointed in 1938, which meant something like 50-percent replacement in less than a year. How many of the ousted directors were themselves recent appointees who had succeeded earlier victims of the purge it is impossible to say. There is no doubt, however, that the tenure of new officials is often very short, as exemplified by a case cited in the same newspaper of the director of a machine-tractor station in the Volga region who was appointed in January 1938 and dismissed 4 months later. Many

<sup>35/</sup> The distinction between the Soviet Government and Communist Party officials is irrelevant in a single-party state like the Soviet Union. It is, as a matter of fact, the local secretary of the Communist Party, appointed actually from above, who holds the reins of power in every *raion* (district corresponding to a county in the United States) and *oblast* or Province.



unfilled vacancies, naturally, were reported among the managerial personnel of state farms, machine-tractor stations, and other branches of Soviet agricultural administration. As for the managers (chairmen) and other officers of collective farms, who are supposed to be elected for a definite term of office by their fellow collective farmers, their tenure has always been highly unstable and practically at the mercy of the local Soviet officials.

The sweeping change in the ranks of Soviet officialdom may, perhaps, be better visualized if compared with the turnover of Government personnel in the United States in the pre-civil-service days when a new administration came into power - except that the consequences for many of the "outs" in the Soviet Union are often more painful than temporary unemployment and the tenure of the "ins" is frequently a very brief one indeed. An even better analogy is the hypothetical case of a sudden wholesale change of executive, administrative, and technical personnel of a big business corporation - say the United States Steel or General Motors and their subsidiaries. For it must be remembered that the tendency is more and more for Soviet agriculture to be operated as one big State concern for which uniform plans are laid down in considerable detail from above. This is a crucial fact in the Soviet agricultural situation and deserves some further elaboration.

It is true that the outright state-owned and -operated large-scale farms, which gained so much publicity in the early thirties, did not account, even in their heyday, for more than 12 percent of the total sown area and have been considerably deflated since. The dominant type is therefore the collective farm, representing an aggregation of small holdings of the formerly independent peasant farmers and accounting for most of the sown area. In 1938, there were 243,700 such collective farms, ranging in size from less than 100 to over 1,000 hectares (250-2,500 acres) each, and comprising over 19 million peasant households. In theory a collective farm is a sort of producers' cooperative, but in practice it may be described as a form of collective share tenancy with the State acting as the landlord.

The Soviet Government, however, is not a passive landlord, interested merely in getting its share of what the tenants produce; it takes an active part in the management of its tenant farms. This is a cardinal principle laid down in 1933 by Stalin himself, who feared that collective farming would not function efficiently or on the lines desired by the Kremlin without detailed Government supervision and guidance. No *laissez faire*, therefore, but rigid State control was to remain the keystone of Soviet policy governing collective farming. It was rooted in the compulsory origin of rural collectivization and harmonizes with the general Bolshevik ideology as well as with the emphasis on expansion of agricultural production, exemplified by the goal of a greatly increased grain output set a few years ago by Stalin. Such expansion has been envisaged by the Bolsheviks via a technical revolution in agriculture, and the impulse to carry it out speedily reinforces the interventionist tendencies.

As a result, collective farms, no less than state farms, are subjected to detailed regulations and plans laid down, at least in general features, by Moscow and supervised by local officials, who are responsible for carrying them out. The Soviet Government not only has its say as to what crops are to be grown by collective farms and what amount or proportion of the output is to go to the State; but, as we saw above when discussing the antidrought program, many details of farm operation and practice are prescribed, regulated, or planned by the State. Furthermore - and this is of crucial importance - the Soviet Government has increasingly supplied the power and machine requirements of agriculture and thereby strengthened its control over collective peasant farming, for it owns all the tractors, combines, and other complicated machinery, concentrated in over 6,300 machine-tractor stations.

Originally these were cooperative or State concerns, renting implements to peasants or contracting to do their field work. Today, however, they are that and much more. The machine-tractor station has become an important collector of farm produce for the State and is the heart and center of the local agricultural administration, carrying out national plans and financed from the national budget.

Thus it has come about that, as Lenin prophesied 20 years ago, the tractor probably more than anything else has been instrumental in collectivizing Russian agriculture. And it is an interesting paradox that the peasants, by slaughtering their horses during the early years of collectivization, made the tractor vitally necessary - thus unwittingly helping the cause of agrarian regimentation against which they protested.

Now it is obvious that wholesale replacement and frequent shifts of officials, who under such a system of agrarian collectivism must make important managerial decisions, is a serious matter. It cannot help but engender a great deal of instability, confusion, and demoralization in the work of agricultural administration and result in a loss of much valuable experience. In this connection, it must be remembered that errors or failure of management are bound to lead to heavy losses because of the large scale of farm operations and the often difficult Russian climatic conditions, like those of 1938 and 1939, under which speed of sowing, harvesting, etc., is of the essence. The numerous difficulties experienced in the 1937 and 1938 sowing and harvesting campaigns and the resulting heavy crop losses, notwithstanding increasing mechanization and greater experience with collective farming, must be attributed to no small extent to the disorganization caused by the purge.

It is true that the purge weeds out the incompetent, corrupt, inefficient official, the devotee of red tape and arbitrary acts against the peasants, who is a frequent target of attack by the Soviet press. For, even if no reliable evidence of deliberate official sabotage has been forthcoming, it has been plentiful with respect to bungling, arbitrariness, and inefficiency, both before and since the purge. Not only was the incompetent official eliminated, however; the purge often blindly punished the innocent with the guilty. A typical example is that of Comrade Gavrilov, who was director of a machine-tractor station in Omsk Province of Siberia. His superiors considered him one of the best directors, and his station was one of the most efficient in the Province. A regional party committee, however, expelled Gavrilov from the party as an "enemy of the people" and, as is invariably the case, he was ousted from his post. Numerous instances of this nature occurred, according to the official *Sotsialisticheskoe Zemledelie*.

This appears only natural when it is remembered that a purge of this character is bound to produce an atmosphere of mass hysteria and panic of which the unscrupulous take advantage to vent their private grudges or advance their selfish interests or save ("insure," as the Russians put it) their own skins. What reason is there to suppose under such conditions that the army of new appointees will be more efficient than their purged predecessors or that they will not be overtaken by a similar fate before they are able to acquire the necessary experience?

Furthermore, many of the difficulties for which officials are held responsible are due not merely to personal incompetence or lack of integrity but also to the unrealistic, conflicting, and ill-balanced character of the official plans. The Soviet press and the former commissars, Eiche, Chernov, and Yakovlev, cited in their speeches during the past 2 years numerous examples of such faulty planning with respect to the introduction of new systems of crop rotation, land surveying of collective farms, improvement of seed supply, and other matters. <sup>36/</sup> It is doubtless

<sup>36/</sup> *Pravda*, July 5, 1937; *Sotsialisticheskaya Rekonstruktsiya Sel'skogo Khozaystva*, No. 1, 1938.



largely poor planning when shortage of spare parts and implements seriously hinders tractor operation; or when costly fertilizers, disinfectants, and machinery are allowed to ruin because of lack of storage space and suitable containers; or when sowing plans run at cross purposes with new systems of crop rotation. And so one could go on *ad infinitum*. Of course, in accordance with a standard formula, defective planning, too, is now attributed to sabotage, although plans are usually passed upon by the highest Soviet authorities.

It should be remembered that, no matter how unsound the plan may be, once it has the official stamp of approval, there is no choice but to execute it. The official who does otherwise is, at best, reprimanded and, at worst, purged as a wrecker. Moreover, he is stimulated to make a record by the keen rivalry encouraged by the Government. This partly explains the chase after purely quantitative results to the neglect or detriment of qualitative considerations and the *ochkoviratelstvo* (pulling the wool over someone's eyes or, in plain English, doctoring reports on achievements), which has so often been criticized by Soviet leaders and press. The fulfillment of official plans, however, does not bestow immunity from the accusation of wrecking, should the results prove unsatisfactory. Thus the system itself makes it easy to bring forth charges of sabotage against officials, who are then faced with all the dreaded consequences of the purge.

### Purge in the Collectives

It would have been surprising if the collectivized peasantry had escaped the purge that played such havoc with Soviet officialdom of all ranks. There was bound to be a strong temptation to take advantage of the shibboleths of "mass sabotage," "wrecking," and "counter-revolutionary activities," once these were put into general circulation, in order to discover scapegoats for all sorts of mistakes and difficulties. A good illustration of this was provided during the 1937 harvesting campaign in the Saratov region. It appeared, according to a newspaper report, <sup>37/</sup> that difficulties were experienced in harvesting the grain by combines because they were poorly repaired and there was a shortage of spare parts. As the report put it, "The army of combines stopped as soon as it encountered the tall grain." Local authorities immediately attributed harvesting difficulties to mass sabotage rather than to inefficient organization. The conduct of officials during inspection visits was described as follows by a member of the governing board of a collective farm: "They scold the chairman [manager] of the collective or the party organizer because a great deal of grain is accumulated in the threshing yard, make accusation of antistate tendencies and sabotage, and then depart. They scold and make any accusations that come into their heads but do not size up the situation and indicate concretely what must be done." This criticism, however, was repudiated by *Izvestiia* a few days after its publication as "politically erroneous" and representing "essentially an enemy sortie"; and the writer, Michael Suvinskii, was dismissed from the staff of the paper.

It is easy to see that in such an atmosphere abuses of various sorts are likely to flourish in the collectives. The Kremlin itself revealed this situation when in the spring of 1938 it spoke with a voice of thunder concerning the iniquitous treatment suffered by the peasants at the hands of its local agents. It was officially disclosed that wholesale expulsion of peasants from collective farms had taken place. Thus, for instance, in the Province of Sverdlovsk (formerly Ekaterinburg) 2,262 families were expelled from collective farms during the second half of 1937. In the Novosibirsk Province, during the same period, 5,705 families were expelled; and in North Caucasus (Ordzhonikidze), 6,000 (during 1937 and early 1938).<sup>38/</sup> And so the story continues from region to region with a monotonous uniformity attesting the widespread character of the abuse.

<sup>37/</sup> *Izvestiia*, August 26, 1937.

<sup>38/</sup> *Problemy Ekonomiki*, No. 4, 1938, p. 47.

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The organic law governing collective farming, the so-called model charter proclaimed by the Government in February 1925 and hailed as the Magna Charta of collectivized peasant democracy, provided that a member should be expelled only as a measure of last resort and by the decision of a general meeting of the collective at which two-thirds of the membership were present. Violations of this and other provisions of the charter were frequently reported in the Soviet press, which, however, vigorously denounced such abuses. But in the 1937-38 expulsion epidemic, the charter was apparently forgotten.

It was stated in a Government decree that "a predominant majority of expulsions from the collectives are entirely unjustified and take place without any serious cause and for the least important reason," although the consequence of such an action is "to doom one to starvation." Again, as so often before, notably during the forced collectivization drive in the spring of 1930, the Kremlin blamed the leading local Soviet and party officials, who, it was claimed, not only did not stop excesses on the part of the officers of collectives but frequently encouraged the latter to illegal expulsion of peasants "under the guise of purging collectives from socially foreign and hostile class elements." This is a stereotyped formula, however, which covers a multitude of sins and is therefore not very illuminating. The intriguing question still remains as to whether the rural purge followed some definite behavior pattern. Was, perchance, a definite element in the collectives being "liquidated," like the *kulaki* in 1929-30? What end, if any, did the purge serve? Unfortunately, the curtain over the Russian countryside has not been lifted sufficiently to enable anyone to answer these questions with finality; but enough is known to venture some tentative generalizations.

First of all, the purge was not directed primarily against village Communists for the simple reason that there are very few of them. According to the report of Andreev at the Eighteenth Party Congress, in spite of some growth during the past year, only 12,000 out of 243,000 collectives had party organizations, with a total membership of 153,000, or less than 10 percent of the membership of the whole Communist Party in the Soviet Union. In some regions, as for instance in the White Russian Republic, where only 44 out of 9,665 collectives had party organizations, with a membership of 614, the party was especially weak. Even the Komsomol (The League of Young Communists) had no branches in more than 100,000 collectives, according to Andreev.

Cases could be cited, like that of the peasant expelled for "religious conviction and a long beard," <sup>39/</sup> which would give the impression that the purge was conducted in a haphazard and sometimes even tragi-comical fashion, and to a considerable extent, under the prevailing conditions, this may be true. But that was not all. There were also reported a number of instances of peasants' being expelled because they stood up for their legal rights and privileges. <sup>40/</sup> One of many examples cited was that of a peasant named Golyshev, who, it was said, always actively fought against violations of the charter of his collective farm and was expelled for "breaking down discipline." What his fellow peasants thought of him can be seen from the fact that, when he was later readmitted to the collective farm, they elected him chairman.

Economic reasons, however, are clearly discernible in another important category of widespread illegal expulsions, namely, those of the families of collective farmers who found employment in State industries. Since such treatment was highly embarrassing to the Government, which has been anxious to recruit labor for its various undertakings, they were especially strongly condemned. The motive behind these expulsions was plainly to reduce the number of claimants to the income of the collectives. It is not unreasonable, furthermore, to assume that the same motive operated in numerous other expulsions.

<sup>39/</sup> *Pravda*, June 21, 1938.

<sup>40/</sup> *Sotsialisticheskoe Zemledelie*, May 21, 1938.



### Faulty Distribution of Income

The foregoing hypothesis is strengthened by the Kremlin's disclosure of the unsatisfactory distribution of income in collectives simultaneously with the divulging of information on mass expulsions of collective farmers. It appears that peasants in collectives received little or no cash at all. How small the cash payments were can be gleaned from the table of cash distribution in over 221,000 of some 243,000 collectives. It is significant that there was so little difference in the amount paid during the 2 years, although in 1936 the crops in many regions were poor and in 1937 generally good. It is also noteworthy that, while a predominant majority of collective farmers received less than 1 ruble (100 kopecks), and many of them much less, tractor drivers were guaranteed a money minimum wage of 2.5 rubles per "labor day" in addition to payments in kind.

Table 5. Cash payments on 221,029 collective farms, 1936 and 1937

Amount paid per "labor day" <sup>a</sup> / Kopeks <sup>b</sup>	Percentage of all collectives	
	1936	1937
	Percent	Percent
20 and under.....	31.4	30.6
21 - 40.....	22.0	20.9
41 - 60.....	12.1	11.3
61 - 80.....	6.3	6.1
81 - 100.....	3.9	4.3
101 - 150.....	4.3	5.0
151 - 200.....	1.9	2.4
201 - 300.....	2.1	2.4
Over 300.....	4.6	4.2

<sup>a</sup>/ A "labor day" (*trudoden*) on collective farms is a time unit for calculating the wages of collective farmers. It varies with the character of the task and is not equivalent to a normal working day. It was estimated, for instance, that in the Voronezh Province an average working day on collective farms was equivalent to 1.36 "labor days" in 1937, 1.20 in 1936, and 1.11 in 1935 (K. Babynin, *Planovoe Khozaystvo*, No. 12, 1938, p. 90).

<sup>b</sup>/ 0.2 cent, United States currency, at the legal par of exchange.

Rud, Dm., *Raspredelenie Dohodov v Kolkhozakh* (Distribution of Income in Collectives), Moscow, 1938, p. 26.

It is true that cash payments do not tell the whole story, since there are also highly important payments in kind. These in a year of good crops, like 1937, apparently reached sizable proportions in a number of collective farms, although money estimates of the total income distributed are lacking. Nevertheless, the very fact that the Kremlin selected the monetary phase for special attention, devoting to the subject a strong decree entitled, "Concerning the Incorrect Distribution of Income in Collectives,"<sup>41/</sup> attests the seriousness of the problem. This decree, like its companion decree disclosing mass expulsions from collectives and published on the same day, revealed grave abuses in the disposition of the revenues of collective farms. Much of their income was used for administrative and other current expenses, or for capital improvements, or unprofitable industrial ventures, or to build up excessive reserves, often in complete disregard of the prescribed budgetary procedure. As a result, it was claimed, there was little cash left to distribute among collective farmers.

The "excessive enthusiasm for capital improvements without a realistic appraisal of actual needs" was the main cause of small cash distribution, according to the official *Sotsialisticheskoe Zemledelie*.<sup>42/</sup> "As a result, the number of unfinished barnyards, stables, and other buildings on the collective farms is increasing from year to year." How such expenditures are encouraged by superiors the author himself witnessed during a visit in 1935 when he heard a supervising official suggest to the chairman of a model collective farm that, since another collective in

<sup>41/</sup> *Pravda*, April 20, 1938.

<sup>42/</sup> April 22, 1938.



the vicinity had a flour mill, it would be well for his farm to have one also. The chairman retorted, "Must every collective have a separate flour mill?"

A factor even more fundamental in reducing the income of collectives than any of those mentioned above is the combined power of taxation and price fixing whereby the Government procures large quantities of farm products at low prices. By far the most important in this respect are the grain procurements collected either as a special tax or in payment for the work of the machine-tractor stations. The grain levy increased enormously during the past 10 years, rising from less than 12 million short tons in 1928 to over 32 million tons in 1937. <sup>43/</sup> It was high even in years of poor crops, judging from Stalin's statement that Government grain procurements during the past 3 years, which presumably included the drought years of 1936 and 1938, were never lower than 29 million tons (1.6 billion poods). The great bulk of this grain was obtained, of course, from collectives.

The significance of the small cash payments to collective farmers is accentuated by the well-known fact of the very high prices and shortage of manufactured goods in the Soviet Union. As a consequence, peasants in the collectives either try to supplement their family incomes by outside occupations, as Russian peasants have always done, or concentrate on their own little garden plots and their own small livestock, often to the neglect of the collective fields. As one report during the harvesting season in Siberia put it, "The collective farmers are simply too busy to work in the collectives"; <sup>44/</sup> or as another report from Kiev Province in the Ukraine states, "They look on the collective as an auxiliary enterprise." <sup>45/</sup>

That this abnormal situation has not been confined to sporadic cases can be gathered from the genuine concern voiced by high officials like Molotov and Andreev at the recent Eighteenth Party Congress. "Is it a normal situation," asked Molotov, "when there are many collective farmers - collective in name only - who do not earn a single 'labor day' in a year, or earn some 20 or 30 'labor days' for show only, so to speak? Are they real collective farmers and should they be accorded all the privileges that are bestowed on collective farms and farmers?" <sup>46/</sup> Andreev also complained that "in some places the personal farming of the collective farmers began to outgrow the collectivized economy and became the basic part; while collective farming, on the contrary, became secondary. \* \* \* The income from personal farming, from vegetable gardens, orchards, milk, meat, etc., in some collective farms began to exceed the earnings based on 'labor days.' This could not but have an adverse effect on the working discipline in collectives." <sup>47/</sup> In this connection, the more rapid growth, even though it is still very modest, of the individually owned livestock of collective farmers compared with the collectivized herds is significant. See table 6.

In the meantime, a number of collectives, experiencing a shortage of labor, resorted to the hiring of outside workers, largely the still uncollectivized "individual" peasants. These had to be paid higher wages than collective farmers, whose discontent was thereby increased. In Stalingrad Province, for example, a survey of 1,629 collectives showed that 820 employed hired labor for field work, 556 for building construction, and 459 in other types of work, and that 889 had hired office employees. <sup>48/</sup> The Government, therefore, in a decree issued on April 19, 1938, <sup>49/</sup>

<sup>43/</sup> Equivalent of 1.8 billion poods of grain, which is the figure for 1937 procurements given by Stalin at the Eighteenth Party Congress. *Pravda*, March 11, 1939. In addition, about 200 million poods, or 3.6 million short tons, were said to be purchased annually by the Government from collectives at somewhat higher prices.

<sup>44/</sup> *Izvestiia*, October 2, 1938.

<sup>45/</sup> *Sotsialisticheskoe Zemledelie*, February 2, 1939.

<sup>46/</sup> *Ibid.*, March 16, 1939.

<sup>47/</sup> The Kremlin's desire to recruit 1,500,000 new peasant workers for industry must also not be overlooked.

<sup>48/</sup> *Rud.*, op. cit., p. 28.

<sup>49/</sup> *Izvestiia*, April 20, 1938.

criticized the management of collective farms for hiring individual peasant laborers and paying them more than the collective farmers. At the same time, the local authorities were rebuked for permitting tax evasion by individual peasants, who, it should be kept in mind, are taxed much more heavily than the collective farmers. A new high tax was imposed on horses owned by the individual peasant farmers (totaling on January 1, 1938, only 500,000) because, it was claimed, they used the horses as a rule not for their own farm work (they have but little land) but for "speculation and profit," or to perform work for others.<sup>50/</sup> This new pressure was probably responsible for the fact, reported in the Soviet press, that individual peasant farmers, who early in 1938 constituted only about 7 percent of the total number of peasant households, began to flock to the collectives.

Table 6. Livestock numbers per 100 households on collective farms, January 1, 1934 and 1938

Kind	January 1, 1934			January 1, 1938			Percentage 1938 is of 1934		
	Collec- tive herd	Individ- ually owned	Total	Collec- tive herd	Individ- ually owned	Total	Collec- tive herd	Individ- ually owned	Total
	Number	Number	Number	Number	Number	Number	Percent	Percent	Percent
Cattle...	54	81	135	81	138	219	150	170	162
Hogs....	18	20	38	35	70	105	194	350	276
Sheep and goats..	65	76	141	124	169	293	191	222	208

*Problemy Zhivotnovodstva*, Nos. 8-9, 1938, p. 8.

#### APPEASEMENT

The conditions here described do not necessarily hold true for all collectives or all members of a single collective farm. The officers, for instance the chairman, the members of the governing board, the brigadiers, and the bookkeeper, usually fare relatively well as long as their jobs last. But their tenure, as was pointed out earlier, is very precarious, depending upon the district and Provincial Soviet officials, who, in violation of the law, often cut it short and otherwise harass the officers of collectives.<sup>51/</sup>

The so-called *Stakhanovists* (pacemakers), according to reports in the Soviet press, frequently earn thousands of rubles during a season, especially in collectives growing valuable industrial crops like cotton and sugar beets or among tractor and combine operators. Their prosperity, however, is sometimes marred by protracted delay in the payment of wages, which seems chronic in the case of tractor and combine operators, with arrears running in some regions into millions of rubles. This fact, coupled with poor living conditions, has contributed much to the excessive turnover among such workers. Moreover, it has been realized by the Government that too much attention lavished on record-breaking performances of a few *Stakhanovists* is not only not conducive to general efficiency but, on the contrary, often detrimental to it.<sup>52/</sup>

<sup>50/</sup> Collectivized peasants are not supposed to have work horses in their individual possession, although a small minority do. The great majority, when they need horses for their individual use (transportation purposes, etc.), must either obtain permission to use for a fee the collectivized horses, which is often beset with considerable difficulty and red tape, or hire horses from individual peasants.

<sup>51/</sup> An article in *Pravda* for November 20, 1938, entitled "Petty Tutelage Over Chairmen of Collectives," cites the case of the chairman of a collective farm in the Poltava Province who, within practically a single day, received orders from seven different officials, all involving the use of draft power of the collective. To cap the climax, this chairman was also summoned by the Provincial prosecutor in Poltava (a distance of 160 kilometers) to explain why the potato-procuring plan was not fulfilled.

<sup>52/</sup> See editorials in *Sotsialisticheskoe Zemledelie*, July 6, 1938, and *Izvestia*, August 3, 1938; also *Sotsialisticheskoe Zemledelie*, January 10, 1939, reporting a conference on the subject of "socialist competition" in the Commissariat of Agriculture.



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Some districts have been especially favored by the Government, as have, apparently for military reasons, the sections inhabited by the Cossacks; and they may be relatively prosperous. <sup>53/</sup> Again in some of the best-managed and -equipped collective farms, situated on good land, most of the peasants may be fairly well off. This is especially true in a good crop season like that of 1937-38; then grain distribution among collective farmers in general exceeded that of earlier years, during many of which it was on a starvation level. Even when crops are poor, as in 1938-39, some collectives undoubtedly fare better than others, and better than former small peasant strip holdings, because of superior management and technique, thus indicating the great potentialities of more scientific farming.

That these and many other favorable factors did not counterbalance the adverse effect on the collectivized peasantry of the serious abuses mentioned above can be gathered from the grave tone of the Government pronouncements in the spring of 1938, which admitted that the situation was provocative of peasant discontent. Remedial measures were therefore announced in three decrees, issued simultaneously April 19, 1938, signed by V. Molotov as Chairman of the Council of People's Commissars and Joseph Stalin as Secretary of the Central Committee of the Communist Party. <sup>54/</sup>

The first decree, in which the Government cracked down on the independent non-collectivized peasant farmers, was discussed above. Its significance in the movement for appeasement lies in the fact that apparently the lot of these noncollectivized farmers might still have seemed tempting to the collectivized peasants in spite of the pressure of heavy taxation and economic discrimination to which the former were subjected. This temptation had to be removed and, judging from the influx of the independent peasants into the collectives, the Government apparently succeeded in accomplishing its object.

The second decree was directed against arbitrary expulsion of peasants from collectives. The decree prohibited purges in the collectives under any circumstances and expulsion of the families of those who worked temporarily or permanently in State industries. In general, ousting of a member was to be resorted to in collectives only as an extreme measure after all other corrective measures had failed. The provision of the collective charter that a member may be expelled only by a general meeting at which two-thirds of all the members are present was reiterated. Moreover, even such an expulsion was not to be final until approved by the Raion (District) Executive Committee, and in the meantime the collective farmer was to retain all his rights and privileges. For violation of these rules the officers of the collective and local government and party officials were liable to criminal prosecution. Local authorities were admonished to pay careful attention to the appeals of collective farmers against expulsion. A few days later another decree <sup>55/</sup> ordered a speedy consideration by Raion Executive Committees, together with Raion Committees of the Communist Party, of the appeals of all the peasants who had been expelled from collectives. Local authorities were required to "liquidate," in the course of hearing such appeals, all the errors and injustices committed against the ousted collective farmers.

By far the most important, however, because of its constructive character was the third decree, which dealt with the improper distribution of income in collectives and their budgetary procedure. It limited capital expenditures to 10 percent of the

<sup>53/</sup> The prosperity of the Kuban (Krasnodar) Province in North Caucasus, which during the collectivization period in the early thirties was the scene of a bitter struggle between the Bolsheviks and the local Cossack population, has been much publicized of late. See I. Altaiskii, "Collectives of the Flourishing Kuban," *Sotsialisticheskoe Zemledelie*, November 17, 1937; G. Gorbatenko, "The Growing Prosperity of Collectives in Kuban," *Sotsialisticheskaya Rekonstruktsiia Selskogo Khozaistva*, No. 1, 1938.

<sup>54/</sup> *Izvestia*, April 20, 1938.

<sup>55/</sup> *Sotsialisticheskoe Zemledelie*, April 24, 1938.



cash income of the collective instead of the former requirement of from 10 to 20 percent, which, as we have seen, was frequently exceeded. The heart of the decree, however, was the categorical demand that not less than 60-70 percent of the cash income of the collective be distributed among members on the basis of the "labor days" earned. In this manner it was hoped to remedy the situation described above, when little or no cash income was left for distribution by collectives among their members, with consequent detrimental effect on the working morale of the collectivized peasantry. Another decree motivated by the same purpose, published in the Soviet press on October 23, 1938, ordered the liquidation of industrial ventures organized by collectives that did not relate to agriculture and that had been a source of heavy losses incurred at the expense of the collective farmers.

Such was the Kremlin's policy of appeasement - "The Stalinist Care of the Collectivized Peasantry," as the leading editorial in *Izvestiia* for April 21, 1938, put it. During the next few months the controlled press, while claiming a considerable measure of improvement in the situation, also continued to expose and attack various violations of the spring decrees. But suddenly this policy was reversed in its most important particular. A new decree, issued on December 4, 1938, <sup>56/</sup> and signed again by Molotov and Stalin, abandoned the requirement of the distribution of not less than 60-70 percent of the income of collectives among the members, which was really the central reform enacted in April. Likewise the limit for capital expenditures was increased from a maximum of 10 percent to 12-15 percent in grain regions and 15-20 percent in regions where industrial crops or livestock farming predominates. Thus collective farmers reverted to their former status of residual claimants to the income of the collective.

No reason for this reversal of policy was given beyond the statement in a preamble to the decree that it was issued in response to petitions of local authorities and collectives. There was no inkling of the impending change, however, in the Soviet press prior to the publication of the decree on December 5, 1938; and *Pravda* as late as December 3, 1938, carried a leading editorial, entitled "To Observe Strictly the Charter of the Collective Farm," in which it condemned the disregard of individual rights and interests of collective farmers that occurred in the distribution of income, in spite of the April decree. One can therefore merely speculate as to the reason for so sudden a turn-about, but it is probably not unrelated to the unsatisfactory crop situation and possibly a shortage of manufactured goods.

Thus ended rather abruptly the recent move for appeasement of the collectivized peasantry. It must be remembered, however, that sudden shifts even of much greater importance have not been unusual in Soviet agrarian policy. Such was the transition from War Communism to the celebrated N.E.P. in the spring of 1921 and again the sudden halt in the rural collectivization campaign in the spring of 1930, to cite the most notable examples. Moreover, it has been characteristic of the Kremlin's policy that propitiating gestures to the peasants have alternated with tightening of the reins in the village. The course of the 1938 appeasement experiment provides still another illustration of this historical pattern.

<sup>56/</sup> *Finansovyi i Khoziaistvennyi Bulletin*, Nos. 33-34, 1938.

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## AGRICULTURE IN THE FRENCH BALANCE OF TRADE\* . . .

*The adverse balance of trade in France is due primarily to imports of agricultural products. The French National Economic Council has recently proposed the adoption of an agricultural policy looking toward the creation of a self-sufficient empire composed of France and its possessions. If carried out, this program would involve significant changes in the type of agriculture now practiced, particularly in French possessions. In the long run, the proposed changes would be expected to have an adverse effect upon United States exports of agricultural products to the French Empire.*

Because France is said to have a "balance" between agriculture and industry, it is erroneously believed to be self-sufficient in the production of most agricultural products consumed. Yet France has had for the past 60 years, with the exception of the 4-year period 1924-1927, a passive balance of trade, which, moreover, was caused solely by excess of agricultural imports over agricultural exports. On the other hand, during the same 60 years, with the exception of the 5-year period 1915-1919, France has been a net exporter of manufactured products.

In recent years, though net exports of manufactured goods have expanded, net imports of foodstuffs and agricultural raw materials have also increased. Any favorable effects the increased exports of manufactured goods have had on the balance of trade have been more than offset by the greater increase in imports of agricultural products. Thus, net imports of agricultural products increased from 10.4 billion francs in 1936 to 14.8 billion in 1937. During the same period, net exports of manufactured goods increased from 4.7 billion francs in 1936 to 5.6 billion in 1937. This increase in net imports of agricultural products, weighing steadily on the passive balance of trade, led the French Government in February 1938 to ask the National Economic Council to study the problem and submit definite suggestions for improvement.

The functions and composition of this Council, which was set up by the law of April 29, 1926, have been changed on various occasions. In the law of March 19, 1936, they were said to be to inquire into problems affecting the national economic system, to advise on bills and other proposed measures referred to it by the government, to study the effects of such legislation, to propose methods of supervision and organization of production and trade, and to arbitrate in economic disputes. The President of the Council is the Prime Minister of France, who may appoint a member of his cabinet as his substitute.

\*A summary and analysis by N. William Hazen, Associate Agricultural Economist, Foreign Agricultural Service, of a report of the French National Economic Council, entitled "The Agricultural Policy to Follow in Order to Reduce the Deficit of the Trade Balance and to Coordinate National and Colonial Production," *Journal Officiel de la Republique Francaise, Annexe Administrative*, Paris, February 14, 1939.

The Council is divided into 20 occupational sections whose total membership must not exceed 200. Each section studies problems affecting the occupation it represents and makes proposals for their solution. The General Assembly of the Council, which meets at least once a year, includes representatives of the occupational sections; national economic organizations; chambers of commerce, agriculture, and crafts; associations of manual and professional workers; consumers' organizations; and overseas territories administered by the Foreign and Colonial Offices. 1/

After almost a year's study, the National Economic Council, at its meeting of January 1, 1939, made certain recommendations to the French Government regarding possibilities of decreasing imports of agricultural products. These recommendations are of interest because they are indicative of the current trend of thought in some representative French circles regarding the need for an agricultural policy based on a program of self-sufficiency between France and its overseas possessions. Whether or not these recommendations are ever adopted by the French Government, their consideration here is believed to be worth while because they point out the importance of agricultural products in the French balance of trade.

For a better understanding of the proposals of the National Economic Council, it is well to realize that agricultural production in France is of three types:

(1) Crops that are well developed to satisfy domestic requirements and permit exports. Among these are wheat, sugar, and wine, which at times suffer from overproduction.

(2) Products that are not always grown in sufficient quantities to meet total domestic consumption, such as poultry products, hops, and dry vegetables.

(3) Crops in which France is so deficient that imports must provide almost all requirements, although French possessions could gradually produce enough to eliminate purchases from foreign countries. Such products are vegetable fibers and wood pulp.

The passive trade balance of France results mainly from the importation of agricultural products and raw materials of agricultural origin necessary to industry. See table 1. Thus in 1937, out of a total trade deficit of 18.4 billion francs (\$744,000,000), net imports of agricultural products were responsible for 14.8 billion francs (\$600,000,000), or over 80 percent. 2/ More than 50 percent of the agricultural deficit, however, generally results from imports from French possessions. These are mainly food products; while agricultural items used in industry are imported chiefly from foreign countries.

The National Economic Council believes that this situation has been caused by lack of a general "imperial" agricultural policy; i.e., a policy taking into consideration the agricultural interests of both France and its possessions. The lack of such a policy has resulted in some important crops' receiving too much assistance through tariff increases or direct aid from the Government, with consequent excessive production and difficult marketing problems; whereas other crops, considered as of secondary importance, have been either neglected or insufficiently protected so that production in France has decreased or in some cases completely disappeared without having been developed in French possessions. For the most part, colonial products have been left unprotected so that the farmers of the colonies have increased their production of protected French crops. Colonial agriculture, therefore, has often developed in competition with French agriculture instead of being a complement to it.

1/ *Journal Officiel de la République Française, Lois et Décrets*, Paris, March 21, 1938, pp. 3186-3187.

2/ Conversions throughout are made at 6.1141 cents to the franc for 1936 and 4.0460 cents for 1937. The average April 1939 rate of 2.6478 cents is used in all other conversions.



Table 1. French balance of trade in agricultural and nonagricultural products, 1936 and 1937

Year and type of product	Imports from			Exports to			Balance of exports (+) or imports (-)		
	Foreign countries	French posses- sions	Total	Foreign countries	French posses- sions	Total	Foreign countries	French posses- sions	Total
<b>1936</b>	Million francs	Million francs	Million francs	Million francs	Million francs	Million francs	Million francs	Million francs	Million francs
Food.....	2,333	5,464	7,797	1,504	974	2,478	-829	-4,490	-5,319
Agricultural used in industry.....	5,835	1,427	7,262	1,938	196	2,134	-3,897	-1,231	-5,128
Total agricultural	8,168	6,891	15,059	3,442	1,170	4,612	-4,726	-5,721	-10,447
Nonagricultural...	9,994	361	10,355	6,886	3,994	10,880	-3,108	+3,633	+525
Total.....	18,162	7,252	25,414	10,328	5,164	15,492	-7,834	-2,088	-9,922
	Thousand dollars	Thousand dollars	Thousand dollars	Thousand dollars	Thousand dollars	Thousand dollars	Thousand dollars	Thousand dollars	Thousand dollars
Food.....	142,642	334,074	476,716	91,956	59,551	151,507	-50,686	-274,523	-325,209
Agricultural used in industry.....	356,758	87,248	444,006	118,491	11,984	130,475	-238,267	-75,264	-313,531
Total agricultural	499,400	421,322	920,722	210,447	71,535	281,982	-288,953	-349,787	-638,740
Nonagricultural...	611,043	22,072	633,115	421,017	244,197	665,214	-190,026	+222,125	+32,099
Total.....	1,110,443	443,394	1,553,837	631,464	315,732	947,196	-478,979	-127,662	-606,641
<b>1937</b>	Million francs	Million francs	Million francs	Million francs	Million francs	Million francs	Million francs	Million francs	Million francs
Food.....	3,383	7,343	10,726	2,142	1,231	3,373	-1,241	-6,112	-7,353
Agricultural used in industry.....	9,201	2,315	11,516	3,719	316	4,035	-5,482	-1,999	-7,481
Total agricultural	12,584	9,658	22,242	5,861	1,547	7,408	-6,723	-8,111	-14,834
Nonagricultural...	19,395	678	20,073	11,298	5,229	16,527	-8,097	+4,551	-3,546
Total.....	31,979	10,336	42,315	17,159	6,776	23,935	-14,820	-3,560	-18,380
	Thousand dollars	Thousand dollars	Thousand dollars	Thousand dollars	Thousand dollars	Thousand dollars	Thousand dollars	Thousand dollars	Thousand dollars
Food.....	136,877	297,097	433,974	86,666	49,806	136,472	-50,211	-247,291	-297,502
Agricultural used in industry.....	372,272	93,665	465,937	150,471	12,785	163,256	-221,801	-80,880	-302,681
Total agricultural	509,149	390,762	899,911	237,137	62,591	299,728	-272,012	-328,171	-600,183
Nonagricultural...	784,722	27,432	812,154	457,117	211,565	668,682	-927,605	+184,133	-143,472
Total.....	1,293,871	418,194	1,712,065	694,254	274,156	968,410	-599,617	-144,038	-743,655

Journal Officiel de la République Française, Annexe Administrative, February 14, 1939. Conversions to United States currency made at average rates of exchange for years 1936 and 1937.

The general recommendations of the National Economic Council are aimed at a self-sufficient agricultural policy within the framework of France and its colonial empire. The Council believes that, in order to reduce the import surplus, an "imperial" agricultural policy should be adopted. This would encourage the production of tropical products in French possessions and confine to France, as much as possible, the crops that could be produced there. Under such a plan, the possessions would buy from France products they now purchase from other countries, such as wheat flour, alimentary pastes, butter, cheese, livestock, and canned goods. France in turn would import cotton, jute, rubber, peanuts, vegetable oils, tea, coffee, and other tropical products exclusively from its possessions. In other words, an agricultural policy of solidarity rather than one of competition between France and its possessions is advocated. This policy would ultimately result in reducing imports of agricultural products originating in foreign countries to the strict minimum that could not be produced in either France or its possessions. According to the National Economic Council, such a policy must rest upon (1) the establishment of a plan taking several years to develop; (2) the coordination and protection of agriculture in France; (3) the coordination and protection of agriculture in the French possessions; and (4) the maintenance of exports to foreign countries. These, it is claimed, would assure the development of French agriculture and maintain its social equilibrium, and at the same time help in the economic development of the French possessions.

The National Economic Council divided its study into two parts. The first, which has been completed, deals with 14 products or groups of products, as follows: Vegetable fibers, sugar, fats and oils, rice, fruits and vegetables (including potatoes), wines, cider and cider apples, meats, dairy products, poultry products, honey, forest products, fish, and fuel. The reports and conclusions for all but the last two of these groups of products are here summarized. This summary, in turn, is followed by a brief appraisal of the recommendations of the National Economic Council and what their application would mean to the Franco-American trade in farm products.

Other products, such as wool, silk, secondary cereals, hops, hides and skins, coffee, tea, and rubber, will form the subject matter of the second part of the study undertaken by the National Economic Council.

#### VEGETABLE FIBERS

Vegetable fibers are the most important single group responsible for the deficit in the trade balance. See table 2. Yet the National Economic Council believes that France and its possessions should be able to produce, both in quantity and in quality, all the vegetable fibers they need. The Council gives as the principal reason for the present insufficient production the low world prices, which make it possible for France to buy flax, hemp, cotton, and jute at less than it would cost to produce them in either France or its possessions. It maintains that larger production is a necessity from the economic as well as from the national-defense viewpoint. Economically it would tend to coordinate French and colonial agriculture. Moreover, it would enrich the French possessions without competing with French agriculture.

High tariffs or import restrictions through quotas are not suggested, but it is proposed to encourage production through the use of subsidies. The formation of a National Textile Board is recommended, to include representatives of fiber producers, textile manufacturers, and the governments of France and its possessions. The Board would assist in developing vegetable-fiber production and looking after the interests of farmers and textile manufacturers. Financing the activities of the Board would be accomplished through fees paid by all participating organizations. If these proved inadequate, a general tax on imports of fibers and textiles would be imposed.



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Because of the interdependence and somewhat competing nature of the various fibers, the National Economic Council considered the problem of textiles as a whole and suggested the above solution as applicable to all. Short studies, however, were made of the various textile fibers in order to point out their respective importance in French foreign trade.

### Cotton

Cotton is by far the most important vegetable fiber imported into France from countries other than French possessions. In 1937, French raw-cotton requirements totaled more than 1,300,000 bales, valued at over 2 billion francs (about \$81,000,000). Since France does not produce any cotton, it was all imported. The principal French possessions producing cotton are French West Africa, French Equatorial Africa, Syria, Morocco, and Algeria. In 1937, total production in these possessions amounted to only about 92,000 bales. The development of cotton production in French possessions is recommended by the National Economic Council in the belief that it may be produced successfully in French North Africa (where it is almost nonexistent), French West Africa, and French Equatorial Africa; that it is essentially a complementary crop to French agriculture and an important raw material for French industry and national defense; and that it requires a great deal of hand labor, a condition that will enable the settling of the native population on the soil.

In order to develop cotton production in French possessions, the National Economic Council believes it is necessary to establish a system of production subsidies that will assure producers fair returns and protect them from price fluctuations during the difficult period of development. This, it is believed, will stimulate producers to plant cotton on a larger scale than at present. Funds for subsidies to be distributed in the various possessions should not exceed 50 million francs (about \$1,300,000 at current rate of exchange). The National Economic Council also recommends that the local administrations in the various possessions assist in this effort and encourage production by determining the areas most favorable for cotton, starting irrigation programs in those districts, establishing gins under their control, and organizing a fight against cotton diseases and pests.

Such measures have already been included in the decree law of June 17, 1938, regulating cotton production in Algeria, and should be extended to all other possessions capable of producing cotton.

### Flax

Flax production is centered in a few Provinces of northern France, while the trade with the possessions is almost negligible. France exports a large quantity of raw flax; but the domestic scutching industry is not well developed, and imports of scutched flax exceed exports of raw flax in value. In 1937 total imports were valued at 235 million francs (about \$9,500,000), compared with exports valued at only 114 million francs (about \$4,600,000).

There is at present in France a production bounty as well as an export subsidy on flax. Credits allocated for the payment of these subsidies in 1938-39 were fixed at 45 million francs (about \$1,200,000). The National Economic Council suggests that these credits be expanded in order to increase the national production by about 22 million pounds. Such an increase in production may be ample to satisfy domestic flax requirements. Moreover, in Morocco, where experiments have proved that flaxseed of excellent quality could be produced, production should be encouraged.



**Hemp**

French hemp requirements amount to about 51 million pounds annually, of which over 80 percent are supplied by imports. In 1937, net imports amounted to 41 million pounds, valued at over 86 million francs (about \$3,500,000).

Hemp production in France has been neglected as a result of low prices for foreign hemp. The National Economic Council believes that French hemp production should be encouraged for the same reasons advanced for an increased flax production. At present, hemp production is assisted by a system of production subsidies, and it is suggested that the latter be increased in order to expand the acreage under hemp.

**Jute**

France consumes annually an average of 220 million pounds of raw jute, all of which is imported from British India. In 1937, net jute imports amounted to 215 million pounds, valued at 235 million francs (\$9,500,000).

There is no commercial jute production in French possessions. Experiments made in recent years in French Indochina with a view to developing jute production have not proved a success because of technical and economic difficulties.

The National Economic Council believes that some vegetable fibers, such as paka, dah, and coconut fibers, could be used as successful substitutes. Paka is now produced in Madagascar, where the annual crop approximates 4.4 million pounds, while French West Africa produces dah. The National Economic Council suggests that production of the two fibers be encouraged in these possessions in order to reduce jute imports.

**Sisal**

French sisal requirements are in the neighborhood of 66 million pounds annually. Of 65 million pounds imported in 1937, only 15 million pounds were produced in the French possessions of West Africa and Madagascar, the remainder being imported from Mexico, East Africa, and India.

The National Economic Council believes that sisal production, if encouraged, could be developed on a large scale in French West Africa, Madagascar, and Indochina. Since 1931, a special tax has been levied on sisal imports into France from countries other than French possessions. The amount of this tax is distributed to colonial producers in proportion to their exports and the margin between the cost of production and the sales price. In order to encourage the most efficient sisal producers, the National Economic Council suggests that the subsidy be distributed only in proportion to quantities exported.

**SUGAR**

In 1936, which might be considered a normal year as far as production and amount of protection are concerned, France imported over 334,000 short tons of sugar, and exported 244,000 tons, leaving a net import of about 90,000 tons. Over 209,000 of the 244,000 tons exported went to the French North-African possessions, namely Morocco, Algeria, and Tunisia, while over 50 percent of the imports came from other French colonies.

An agreement signed on March 7, 1938, between French sugar producers and those of the possessions divides the French market between the two groups. Under this

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agreement, the share of the possessions in supplying the French market is as follows: From October 1, 1937, to September 30, 1938; 14 percent of requirements; from October 1, 1938, to September 30, 1939, 14.75 percent of requirements; and for the following crop years, 15 percent of requirements.

The National Economic Council recommends that, with a view to assuring an enlarged market for French sugar, greater protection be applied against sugar imports into Tunisia and French West Africa from countries other than France.

### FATS AND OILS

Fats and oils and raw cotton are the two largest single groups responsible for the unfavorable trade balance in agricultural products. Because of the importance of the problem of fats and oils in the French economy and the pronounced deficiency of French production in this field, the National Economic Council has dealt with the subject at some length.

In 1936, France produced a total of 52 million pounds of olive, colza, and linseed oils, representing only 4 percent of France's fat requirements. Vegetable-oil production in French possessions is believed to be much in excess of 882 million pounds. This colonial production is made up mostly of peanut oil from French West Africa, copra oil from Madagascar, Indochina, and French Oceania, palm oil from French Equatorial Africa, and olive oil from North Africa. Of these, only palm oil seems to show a surplus over requirements. Although peanut production could be expanded considerably in the African possessions, it is difficult at present to do so because Senegal and the coast regions nearby have already reached their maximum output and lack of transportation facilities makes it difficult to obtain peanuts from the interior.

In 1937, French net imports of fats amounted to 1 billion pounds, valued in excess of 2 billion francs (about \$81,000,000), 45 percent of which came from countries other than French possessions.

In discussing the recommendations to the Government, the agricultural representatives, both French and colonial, intimated that a 50-percent increase in the tariff as revised on January 30, 1938, would enable them to develop their production and would reduce imports from foreign countries. The representatives of industry, however, in opposing such a measure, declared that the duties levied in 1933 had been doubled in 1935 and that the present tariff costs the French consumers over 250 million francs (about \$6,600,000) every year. A unanimous agreement was finally reached on the following recommendations:

(1) The French system of import quotas for palm and copra oils should be revised in order to reserve to the possessions 80 percent of the imports. At the same time, a special quota for colonial castor oil should be established.

(2) The French Government should grant further aid to French producers of olives and colza.

(3) Measures should be adopted in the possessions with a view to improving the quality of oils and extending transportation facilities.

### RICE

The French Colonial Empire ranks among the world's largest rice producers. French Indochina, with an average of about 14 billion pounds, is the world's fifth

largest producer of rice, coming after China, India, Japan, and Burma. Although Indochina consumes a little over three-fourths of this production, it ranks second as a world rice exporter, coming after Burma. Rice is also produced in other French possessions, especially in Madagascar.

French imports of rice come almost entirely from Indochina. Of a total of 1,650 million pounds imported in 1937, Indochina supplied 1,580 millions; while foreign countries, principally Italy, Egypt, India, and the United States, supplied the remainder. The share of Indochina in French rice imports has been steadily increasing. It represented only 17 percent of total imports in 1913, but reached 82 percent in 1931 and 95.5 percent in 1937. French net imports of rice in 1937 were valued at 696 million francs (about \$28,000,000), of which rice valued at 39 million francs (about \$1,600,000) came from countries other than the French possessions.

Consumption in France has increased rapidly in recent years, expanding from 661 million pounds in 1931 to over 1,600 million pounds in 1937. Of this latter, over 1,300 million pounds were used for feed, 176 million pounds in industry for the production of starch, glucose, and alcohol, and only 154 million pounds for food.

In studying the rice question, the National Economic Council realized that the increase in Indochinese rice production since the end of the World War and the tremendous expansion in French imports of such rice constituted a danger to the agriculture of both France and Indochina. French producers of secondary cereals are feeling keenly the competition of Indochinese rice used as feed in France. They attribute their critical condition to the increase in imports of rice and its substitution for secondary cereals. The danger for Indochina comes from the fact that, as a result of the reduction in the Far Eastern markets for Indochinese rice, the economy of the country at present relies heavily on exports of rice to France. The situation is more acute because of the continuous increase in production by Indochinese farmers, who believe that France cannot dispense with their rice and can absorb unlimited quantities without much trouble.

To remedy this condition, the National Economic Council suggests that the French Government discourage further increase in the rice production of Indochina by encouraging the production of vegetable fibers, such as jute, sisal, dah, and paka, and assisting in the development of industries in that colony. The Council also recommends that the Government, through special clauses in trade agreements with other countries, require the latter to buy Indochinese rice and thus help to divert this product from France.

#### FRUITS AND VEGETABLES, INCLUDING POTATOES

Because of unreliable and fragmentary statistics, it is not possible to estimate the total production of fruits and vegetables in France and French possessions. It is estimated, however, that the annual value of such production is between 6 and 8 billion francs (\$160,000,000 and \$200,000,000).

With the exception of walnuts, prunes, and chestnuts, the production of fruits, vegetables, and nuts in France has been increasing since 1919. The potato crop averages 550 million bushels a year, valued between 4 and 8 billion francs (\$100,000,000 and \$200,000,000).

The foreign-trade position of these products varies. Some are in excess of requirements and are on an export basis, while others are supplied almost entirely from imports. On the whole, at present annual French imports of fruits and vegetables exceed exports, although the reverse was true prior to the World War. The



important development in recent years, however, has been the increase in imports from French possessions. In 1937, net imports were valued at over 1.5 billion francs (about \$61,000,000), about one-third of which were purchased from countries other than French possessions. The principal products responsible for this deficit were bananas, oranges, lemons, table apples and pears, almonds, prunes, and figs. Net imports of vegetable products are less important and are made up mainly of tomatoes, potatoes, chickpeas, lentils, and beans. French exports of fruits and vegetables consist chiefly of walnuts, strawberries, table grapes, mushrooms, cauliflower, and vegetable salads.

There is no doubt that, with a few exceptions, France and its possessions could produce almost all their fruit and vegetable requirements. In addition, some French specialty crops could still be exported and would find ready buyers on world markets. To improve the present deficit situation, the National Economic Council proposes (1) the establishment of a very strict protection in favor of chickpeas and almonds, which would later be expanded to include dried fruits, especially prunes; (2) the strict adherence to the agreements entered upon between French and colonial producers for limitation of production or distribution of markets in accordance with variations in the growing seasons in France and its possessions; (3) the placing at the disposal of fruit, vegetable, and potato growers of a credit of 100 million francs (about \$2,600,000) for the organization of domestic and foreign markets, with funds for this purpose obtained from a tax of from 2 to 5 francs per hectare (from 2 to 5 cents per acre) planted to potatoes and from voluntary fees paid by the various fruit and vegetable organizations; and (4) the adoption of a series of measures of a technical or commercial nature to improve quality, develop foreign markets systematically, improve shipping and storage facilities, etc.

#### WINES

France consumes more wine per person than any other country, the yearly per-capita disappearance exceeding 44 gallons. The total average annual consumption is estimated at about 1.7 billion gallons, although production varies from about 1.3 billion in short-crop years to over 2 billion gallons in large-crop years.

Imports from Algeria usually complete French consumption requirements. The value of these imports exceeds by far that of French wine exports, varying from 1.5 to 2.2 billion francs (\$40,000,000 to \$58,000,000) a year compared with exports valued between 350 and 500 million francs (\$9,000,000 and \$13,000,000). In general, the combined wine production of France and Algeria is above consumption requirements in the two countries; and, despite exports, there is almost every year a substantial carry-over.

Because wine imports are made up mainly of Algerian wines, which are not considered as of foreign origin (from the administrative viewpoint Algeria is considered as three *Departements* of France), it is difficult to reduce them drastically without affecting the economy of Algeria. The small foreign imports come mainly from Spain, Portugal, Hungary, Greece, and Italy, and are used for blending purposes. It may be possible, however, to produce them in either France or Algeria.

French wine exports are composed mainly of high-quality wines. They have been decreasing since the beginning of the century, the reduction resulting from restrictions adopted in various importing countries and from competition of other wine-producing regions.

The National Economic Council believes that the situation could be improved through the continuation of the present quotas and high duties on foreign wines

entering France and the establishment of special taxes on foreign wines imported into French possessions; the encouragement, through subsidizing, of French common-wine exports, especially to the possessions; the improvement in the quality of fine wines destined for export and the launching of advertising campaigns in importing countries.

### CIDER AND CIDER APPLES

Because of their importance and the peculiar place they hold in the French agricultural economy, cider apples occupied a special section in the Council's report instead of being included in the study on fruits.

Cider-apple production is very irregular. The principal producing regions are in the northwestern part of France. Because the fruit is very perishable and cannot stand long storage, these producing sections would suffer in a large crop year unless a substantial portion of the crop could be distilled or exported. The assurance of export outlets, therefore, is very important.

French cider-apple and perry-pear production, although very irregular, averages about 115 million bushels a year, while production in French possessions is negligible. Consumption in France is essentially local and is, in general, slightly less than total production. Even in years of short crops, there is almost no importation, whereas in years of large crops the surplus is exported mainly in the form of fresh fruit, although some cider is exported. Cider-apple exports vary from nothing to 9 million bushels. They averaged more than 2 million bushels in pre-war years, 1 million bushels from 1919 to 1928, and over 1.4 million bushels from 1929 to 1937. The value of these exports was 20 million francs (about \$1,223,000) in 1936, as against 6 million francs (about \$243,000) in 1937. Cider exports, which averaged about 660,000 gallons prior to 1933, have since decreased to less than 53,000 gallons.

Germany, Switzerland, and, to a lesser degree, the United Kingdom are the principal importers of French cider and cider apples. Their purchases are generally made at prices higher than those prevailing on the local French markets. The expansion and regularization of exports would therefore assure substantial annual returns to producers. To obtain such results, the Council recommends inclusion of a clause in trade agreements with importing countries requiring the purchase of specified quantities of cider apples; control of the quality of fruit exported and increase in production of exportable varieties; and securing, by agreement with the railroads, of special freight rates for transportation of cider fruit.

### MEATS

Cattle raising and meat production in France have been increasing for the past 15 years. In fact, since the end of the World War, livestock production has increased at the expense of cereal crops. Thus, whereas the area planted to cereals during the past 10 years has been 6 million acres smaller than the average area during the 10 years preceding the World War, the acreage in permanent meadows and forage crops during the same period has increased by about 5 million acres. As a result of this shift, there has been an increase in the number of cattle, as well as in the production of dairy products and meats. The 1935 census indicates that there were 8.8 million cows in France, or 1 million more than in 1913 and 1926. During the 5-year period, 1933-1937, beef production was 8.7 percent and pork production was 16.5 percent higher than during the 5-year period 1928-1932.



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## Beef

Prior to the World War, beef imports into France represented about 1 percent of the total consumption. By 1920 they had increased to 29 percent, whereas during the 10-year period, 1921-1930, they averaged about 8 percent. Following the introduction, in 1931, of the system of import quotas, beef imports were further reduced. In 1935, they represented only 1.8 percent of French beef consumption. As this percentage continued to decrease, the share of the French possessions in the imports increased. In 1937, they supplied about two-thirds of total beef imports.

The National Economic Council suggests that (1) the strict protection of the French market be continued by prohibiting imports; (2) if frozen beef must be imported as a national-defense measure, the duty on it be raised; (3) the slaughter tax be returned when the beef is exported; (4) an export subsidy be granted on certain beef exports; and (5) French possessions be encouraged to use French or French-colonial beef exclusively.

## Mutton

For the past 50 years, France has been a net importer of fresh and frozen mutton. Exports have always been negligible.

Prior to the World War, imports represented between 15 and 20 percent of total mutton consumption. Since 1920, however, they have averaged a little over 25 percent. Three-fourths of these imports in recent years have been supplied by the possessions, especially those in North Africa, the remainder coming mainly from South American countries, The Netherlands, and Poland.

The Council believes that mutton from the North African possessions should replace the frozen meat imported from South America. It is suggested that the shift could be accomplished through the use of more restricted quotas. As for mutton imported from the Netherlands and Poland, which because of its different quality does not directly compete with the French product, it is suggested that quotas be granted against exports to those countries of French agricultural products.

## Pork

French imports of pork and pork products during the years immediately following the World War reached great proportions, largely because of the reduction in the hog population during the war period. In recent years they have been negligible, at present representing less than 1 percent of the total consumption of pork products. Furthermore, they are almost balanced by pork exports so that net imports are now quite insignificant.

Although reduced in recent years, some imports of live hogs enter France from the North African possessions. Fresh- and frozen-pork imports are now very limited and consist mainly of offal and liver. In the case of salted, cooked, and canned pork products, France in recent years has been on a net export basis.

Imports of lard, which averaged 8.6 million pounds in pre-war years, increased to 40 million pounds during the 10-year period 1921-1930. Recently, however, the application of the quota system has reduced these imports to less than 660,000 pounds a year.

The Council believes that French exports of pork and pork products should be encouraged by assuring new outlets through trade-agreement negotiations. It also suggests that the slaughter tax be refunded on exports.



Table 2. French balance of trade in principal agricultural products, 1936 and 1937

Year and product	Imports from			Exports to			Balance of exports (+) or imports (-)		
	Foreign countries	French possessions	Total	Foreign countries	French possessions	Total	Foreign countries	French possessions	Total
	Million francs	Million francs	Million francs	Million francs	Million francs	Million francs	Million francs	Million francs	Million francs
<b>1936</b>									
Vegetable fibers.....	2,136	63	2,199	126	2	128	-2,010	-61	-2,071
Animal fibers.....	1,604	56	1,660	957	5	962	-647	-51	-698
Sugar and byproducts.....	69	310	379	51	359	410	-18	+31	+13
Fats and oils.....	778	1,013	1,791	154	163	317	-624	-850	-1,474
Cereals.....	224	1,338	1,562	230	54	284	+6	-1,284	-1,278
Rice.....	35	484	519	1	12	13	-34	-472	-506
Fruits and vegetables (including potatoes).....	900	729	1,629	209	82	291	-691	-647	-1,338
Wines.....	73	1,521	1,594	414	97	511	+341	-1,424	-1,083
Brandies and liquors.....	6	288	294	294	35	329	+288	-253	+35
Other beverages.....	3	0	3	25	29	54	+22	+29	+51
Livestock and meats.....	101	245	346	57	70	127	-44	-175	-319
Poultry products.....	33	68	101	15	1	16	-18	-67	-85
Dairy products.....	150	2	152	60	122	182	-90	+120	+30
Fish.....	203	49	252	57	31	88	-146	-18	-164
Lumber.....	319	96	415	63	26	89	-256	-70	-326
Coffee.....	460	166	626	0	0	0	-460	-166	-626
Rubber.....	270	64	334	8	0	8	-262	-64	-326
Hides and skins.....	408	63	471	400	0	400	-8	-63	-71
Other food products.....	55	150	205	34	65	99	-21	-85	-106
Other agricultural products used in industry.....	341	186	527	287	17	304	-54	-169	-223
<b>Total.....</b>	<b>8,168</b>	<b>6,891</b>	<b>15,059</b>	<b>3,442</b>	<b>1,170</b>	<b>4,612</b>	<b>-4,726</b>	<b>-5,721</b>	<b>-10,447</b>
<b>1937</b>									
Vegetable fibers.....	130,597	3,852	134,449	7,704	122	7,826	-122,893	-3,730	-126,623
Animal fibers.....	98,070	3,424	101,494	58,512	305	58,817	-39,558	-3,119	-42,677
Sugar and byproducts.....	4,219	18,954	23,173	3,118	21,980	25,098	-1,101	+2,996	+1,895
Fats and oils.....	47,568	61,936	109,504	9,416	9,966	19,382	-39,152	-51,970	-90,122
Cereals.....	13,686	81,807	95,503	14,062	3,302	17,364	+366	-78,505	-78,139
Rice.....	2,140	29,592	31,732	61	794	796	-2,079	-28,858	-30,937
Fruits and vegetables (including potatoes).....	55,027	44,572	99,599	12,778	5,014	17,792	-42,249	-39,558	-81,807
Wines.....	4,463	92,995	97,458	25,312	5,931	31,243	+20,849	-87,064	-66,215
Brandies and liquors.....	367	17,609	17,976	17,975	2,140	20,115	+17,808	-15,469	+2,139
Other beverages.....	183	0	183	1,529	1,773	3,302	+1,346	+1,773	+3,119
Livestock and meats.....	6,175	14,980	21,155	3,485	4,280	7,765	-2,690	-10,700	-13,390
Poultry products.....	2,018	4,158	6,176	917	61	978	-1,101	-4,097	-5,198
Dairy products.....	9,171	122	9,293	3,668	7,459	11,127	-5,503	+7,337	+1,834
Fish.....	12,412	2,996	15,408	3,485	1,895	5,380	-8,927	-1,101	-10,028
Lumber.....	19,504	5,870	25,374	3,852	1,590	5,442	-15,652	-4,280	-19,932
Coffee.....	28,125	10,149	38,274	0	0	0	-28,125	-10,149	-38,274
Rubber.....	16,508	3,913	20,421	489	0	489	-16,019	-3,913	-19,932
Hides and skins.....	24,946	3,852	28,798	24,456	0	24,456	-490	-3,852	-4,342
Other food products.....	3,363	9,171	12,534	2,079	3,974	6,053	-1,284	-5,197	-6,481
Other agricultural products used in industry.....	20,849	11,372	32,221	17,647	1,039	18,586	-3,302	-10,337	-13,635
<b>Total.....</b>	<b>499,401</b>	<b>421,324</b>	<b>920,725</b>	<b>210,445</b>	<b>71,555</b>	<b>281,980</b>	<b>-288,956</b>	<b>-349,789</b>	<b>-638,745</b>



## DAIRY PRODUCTS

France produces enough dairy products to satisfy domestic requirements, and in addition produces certain "specialty" products that have always been exported.

From 1850 to 1914, France was on a net export basis in butter, which formed one of the principal items in the agricultural export trade. The development of butter production in other countries and the low prices that resulted altered this situation, and at times French imports exceeded exports. Since 1935, high tariff duties and quota restrictions imposed on butter imports, as well as subsidies granted on exports, have again put butter on a net export basis. Net exports in 1936 were valued at 47 million francs (about \$3,000,000) and in 1937 at 37 million francs (about \$1,500,000).

The value of French imports of cheese exceeds that of exports. In 1936, net imports were valued at 40.6 million francs (or about \$2,480,000), although they were reduced to 28.5 million francs (about \$1,150,000) in 1937.

In concentrated or evaporated milk, France has been on a net export basis since 1934 as a result of the setting up of special plants to absorb the surplus milk production of Normandy and Savoy. Net exports were valued at 13 million francs (about \$795,000) in 1936 and 10 million francs (about \$405,000) in 1937.

All French imports of dairy products come from countries other than French possessions, which, however, take a good portion of French exports. They also import dairy products from other countries, and these come into direct competition with the French product. The National Economic Council makes the following suggestions: (1) That the present protection on French butter be maintained; (2) that a higher duty be imposed on imports into France of cheese and concentrated milk and a substantial reduction be made in import quotas; (3) that the present export subsidy on butter be maintained and extended to exports of cheese and concentrated milk; (4) that high import duties and restrictive quotas be adopted by the French possessions for dairy products from countries other than France; (5) that the advertising of French dairy products in foreign countries and French possessions be undertaken by the Central Milk Committee; and (6) that better methods of transportation and refrigeration be developed and railroad and ocean freight rates reduced.

## POULTRY PRODUCTS

Poultry production is often considered a secondary occupation in France, even though the value of the products consumed annually is very significant. In 1937, this value approximated 8 billion francs (about \$324,000,000). A study made in October 1937 indicated that the poultry industry in France annually produces 6,315 million eggs, 145 million chickens, 22 million ducks, 26 million pigeons, and 12 million geese, turkeys, etc.

Production has been increasing since the end of the World War. It is carried out mainly on small- and medium-sized farms where chickens are fed on farmyard remains and secondary cereals. Commercial poultry farms account for only 3 percent of the total.

Production varies with the production of, and market for, secondary cereals. In this respect it acts as a regulator of the market because it generally absorbs the surplus of these cereals. Because poultry production registers seasonal variations that do not coincide with variations in consumption, the market for poultry products varies a great deal during any one season.



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Net imports into France of eggs, on an average, are worth about 100 million francs (about \$2,650,000) a year, of which about 86 percent is supplied by French possessions. Exports of poultry products, on the other hand, have steadily decreased, becoming insignificant in recent years. The principal cause for the decline is said to be the high cost of production in France, which does not enable French producers to compete on world markets with low-cost producing countries.

The Council suggests that (1) in the case of eggs, the import quota be reduced gradually, trading on the domestic market be standardized, more sanitary measures be used in handling the product, and the quota for imports from Morocco be so arranged that Moroccan eggs will not be thrown on the French market during the season of heavy domestic production; (2) in the case of dead and live poultry, French imports be prohibited during 9 months of every year; and (3) in the case of *foie gras*, the present import duties be raised.

#### HONEY

Apiculture represents an important secondary industry in France, and the place of honey in the foreign trade in agricultural products is not negligible. The number of apiculturists in France is estimated at 100,000, while the bee hives in production exceed 2 million. About 44 million pounds of honey and 2.6 million pounds of wax are produced annually.

Until 1929, France was a net exporter of honey. Since 1930, however, imports have exceeded exports - in 1933 by 4.6 million pounds. With the application of import quotas during that year, net imports were reduced to a yearly average of 1 or 1.5 million pounds.

Although the National Economic Council did not make any definite recommendations regarding honey, it agreed that something should be done and suggested that the proposals of the National Committee for Honey be the object of careful study. These proposals include measures to facilitate the distillation of honey imported from French possessions, to encourage honey production and export, and to develop better grading and standardizing methods in honey production and marketing.

#### FOREST PRODUCTS

The forests of France extend over an area of about 25 million acres in 26 of the country's 90 *Departements*, or Provinces. One-third of this domain belongs to the national and municipal governments.

In 1937, the Ministry of Agriculture estimated the yearly timber production of France as follows:

Lumber for furniture and construction	- 3,390 million board feet
Wood pulp	- 94 million cubic feet
Firewood	- 650 million cubic feet

This production is above domestic requirements in the case of oak and firewood, but is deficient in wood for construction and wood pulp.

The forests of the French possessions extend over approximately 198 million acres, of which only one-fourth now have a stand of marketable timber. The production consists mainly of ply wood, wood for cabinetmaking, and, to a limited extent, wood for construction.

France is a net importer of lumber. Imports were valued at 626 million francs (about \$38,000,000) in 1936 and 674 million (about \$27,000,000) in 1937. The bulk of these imports comes from countries other than French possessions and consists mainly of (1) wood for construction, representing about 45 percent of the total and originating in Northern, and to a lesser extent, Eastern Europe; and (2) wood pulp, representing about 39 percent of the total and coming mainly from Northern Europe and Canada.

Imports from French possessions, which have been increasing in recent years, are made up mainly of ply wood and wood for cabinetmaking, with some wood for construction. No wood pulp is imported from the possessions.

France exports some of its surplus lumber production; i.e., oak and firewood, which, in general, are not as expensive as the types imported.

The National Economic Council suggests (1) that present import duties and taxes be maintained; (2) that in renewing present commercial treaties, import quotas be brought to actual current imports; (3) that Government forest lands be increased and production of wood pulp and wood for construction be substituted for the excess production of firewood; (4) that private foresters be granted credits and subsidies to undertake a similar program; (5) that the Government encourage the production of wood pulp and wood for construction in French possessions; and (6) that new uses be found for French lumber in France and the possessions and new markets be developed for it in other countries.

#### ANALYSIS OF THE RECOMMENDATIONS

Although for many years France has had an adverse balance of trade, invisible items, such as tourists' expenditures and freight paid by other countries for the use of French boats, generally brought about an active, or at least an even, balance of payments. In recent years, however, the decrease in the value of invisible items has affected the balance of payments and contributed to the depreciation of the franc. The French Government, while trying to increase these revenues, is also hoping, through the use of quotas and other import restrictions, to reduce the excess of French imports over exports.

At the same time, with strong self-sufficiency drives carried on in recent years in neighboring countries, it is not surprising to see the autarchic germ sprout in some French minds. To be sure, self-sufficiency has both proponents and opponents among French economists; but it is of interest that so representative a body as the National Economic Council recommends such a policy for agriculture as a cure for the adverse balance of trade. It is true that the Council does not advocate outright autarchy. It leaves room for exchanges with foreign countries, although it asks for larger exports while limiting imports to the minimum that could not be produced in either France or its possessions.

Specifically, the Council states that "taking into consideration consumption requirements and export possibilities, it is necessary to discover the crops that must be developed and those that should be introduced," because "henceforth, France must follow an imperial agricultural policy." However, "one must remember that, in principle, the development of new, and the reestablishment of old, crops in France and the development of complementary crops in the colonies should be accomplished with the constant care of not provoking reprisals [from other countries] and with no excessive increases in the cost of living."

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In 1936 and 1937, countries other than French possessions supplied 54 and 56 percent, respectively, of French agricultural imports. During the same years, 74 and 79 percent, respectively, of France's exports of agricultural products went to countries other than the possessions. The Council wants to see these imports reduced to a minimum and the exports maintained or even expanded. Under present international trade relations whereby numerous countries buy only as much as they can sell, it is certain that any reduction in imports of agricultural products would be followed by the refusal of other countries to buy French products.

Even if a quasi-closed economy were to be obtained between France and its possessions and each largely replaced the other's present markets and sources of supply, it could not be done without subsidizing producers. This would mean, inevitably, new taxes, increases in the cost of living, and lowering of the consumer's purchasing power. It therefore follows that, no matter how much care is provided in the application of an "imperial" agricultural policy based almost exclusively on exchanges between France and its possessions, two things are bound to result: first, a reduction in the purchase of French and French-colonial agricultural products by foreign countries; and, second, an increase in the cost of living and a lowering of the standard of life in France and its possessions.

Assuming that the recommendations of the National Economic Council for an "imperial" agricultural policy were adopted, how effectively could they be put into practice? Of the 12 products, or groups of products, summarized in the previous pages, those weighing most on the agricultural balance of trade are vegetable fibers, fats and oils, fruits and vegetables, wines, rice, forest products, meats, and sugar. These items may be combined into three groups:

1. Colonial products now competing with French crops, such as wines, rice, and sugar.
2. Products, the production of which could be expanded both in France and in French possessions, such as meats, forest products, vegetable fibers (especially flax, hemp, sisal, jute, and, to a lesser extent, cotton), fats and oils (especially vegetable oils), and some fruits and vegetables.
3. Products that must be imported from foreign countries, such as cotton and some fruits, especially apples, pears, and oranges.

In the first group, the expansion and coordination of sugar production in France and its possessions may not be a difficult matter to obtain. The problem would not be so easy to solve in the case of rice and wine, however, without affecting the agricultural economies of Indochina and Algeria.

In the second group, the expansion and production of several secondary vegetable fibers in France and its possessions may be possible, although it is improbable that these could satisfy all vegetable-fiber requirements. The same may be said about the expansion of vegetable-oil production, as well as that of fruits and vegetables. While a system of subsidies might result in increased production, it would be costly without satisfying all the demand.

In the third group, that including products that must be bought from foreign countries, cotton ranks first. There is no cotton production in France proper and the possessions now produce less than 10 percent of French cotton requirements. Experts believe that with strong encouragement the present colonial output could be doubled, but even so it would still fall far short of requirements. The same may be said of apples, pears, and oranges.



If the recommendations of the National Economic Council for an "imperial" agricultural policy were adopted, there is no doubt that exports of American agricultural products to France and its possessions would be adversely affected. Exports of raw cotton, the principal item in the agricultural trade of the United States with France, would decrease slightly. Exports of fresh apples, pears, and oranges would be affected to a greater extent.

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### MINIMUM-PRICE FIXING IN ARGENTINA INCLUDES PART OF CATTLE INDUSTRY

The minimum-price-guaranty program of the Argentine Government, reestablished in November 1938 for wheat and flaxseed, was on December 28 extended to include the cattle of the Litoral region of that country.

This power was extended through a Presidential decree of December 8, 1938, according to a recent report of the United States Trade Commissioner in Buenos Aires. The action marked the culmination of long agitation on the part of cattle breeders of the Litoral region, who claim to suffer from a twofold disadvantage compared with those of other regions. In the first place, it is contended that long hauls are necessary to transport their cattle to consuming centers or export points. Secondly, there have been considerable difficulties involved in periodically concentrating sufficiently large herds at loading depots to justify special trips by cattle boats to collect them. This disadvantage - coupled with unusually favorable climatic conditions and the reduction of export quotas, which respectively caused an increase in supply and a decrease in demand - apparently gave rise to a critical situation for Litoral producers.

The Presidential decree stipulates that on crossbred steers for immediate slaughter a subsidy is to be granted from December 12 to March 31, but on steers originating in the northern Litoral and sold directly to the *frigoríficos* (packing houses) the subsidy is to apply from December 1938 to June 30, 1939. Subsidies apply to direct sales by producers to packing plants, sales for domestic consumption, and sales for export at the Liniers, Rosario, Cordoba, and Tucumán markets. Moreover, subsidies are limited to sales effected at prices lower than those specified below:

	Price at <u>estancia</u>		Price at <u>market place</u>	
	<u>Paper pesos</u>	<u>Cents</u>	<u>Paper pesos</u>	<u>Cents</u>
Steers weighing between 1,000 and 1,150 pounds.....	0.25	7.80	0.23	7.18
Steers weighing more than 1,150 and up to 1,200 pounds.....	0.23	7.18	0.21	6.56
Steers weighing more than 1,200 pounds.....	0.21	6.56	0.19	5.93

The National Meat Board is charged with the administration of the decree and the payment of subsidies. The cost of the subsidy is to be covered by the fund created through profits from control of exchange, as in the case of wheat and flaxseed.

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### INSTITUTE OF TERRITORIAL CREDIT ESTABLISHED IN COLOMBIA

A recent dispatch from the American consulate at Bogotá reports the establishment in Colombia of the Institute of Territorial Credit for the purpose of supplementing and coordinating the activities of the Territorial Credit Banks of that country.

This Institute will operate in conjunction with the Territorial Credit Banks of Colombia in extending loans and credits for the construction of dwelling houses for rural workers. For such construction work, mortgage loans on a 30-year amortization basis will be granted. They are to be direct loans to small rural proprietors for the construction of their own dwellings, to ranchers and planters for the living quarters of their tenants and workers, or to municipalities and departments for the construction of small rural buildings within their respective territories.

To facilitate the contemplated construction to the utmost, it is provided that the Institute of Territorial Credit and the Territorial Credit Banks are to take charge of the production or importation of such material, equipment, and supplies as may be needed. Imports of these are to be free of customs duties, consular fees, tonnage taxes, and port and fluvial taxes. In addition, this material is to be subject to special freight rates if transported on Government-owned railways. It is to be sold at cost plus administration expenses to the persons or agencies engaged in construction to whom loans are granted for that purpose.

The charter of the Institute of Territorial Credit is for 40 years, but provides for liquidation of the organization should a loss of 50 percent of the paid-in capital ensue. Capital stock valued at 3,500,000 pesos (\$1,995,000) is authorized, to be subscribed by (1) the National Government, through purchases of Class-A shares amounting to 2,000,000 pesos; (2) the departments and municipalities, through purchases of Class-B shares up to 5,000,000 pesos; (3) banking institutions, through purchases of Class-C shares not exceeding 1,000,000 pesos. The paid-in capital on April 5, 1939, was 1,380,000 pesos (\$786,000), which was in excess of the minimum required for the initiation of operations.

To administer and supervise the activities of the Institute, there is a Board of six members representing the Ministry of Finance, the Ministry of Labor, the Chief Executive, and the stockholder banks. In accordance with the general requirements imposed on other banking institutions, the Institute of Territorial Credit will be subject to the regular inspection of the banking superintendent.

Like the Territorial Credit Banks of Colombia, the Institute of Territorial Credit will be exempt from the payment of national, departmental, and municipal taxes, and will, in addition, enjoy the advantages conferred by law on public institutions in general.

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#### MANITOBA TO REGULATE MARKETING OF NATURAL PRODUCTS

An act giving a marketing board, to be appointed by the Provincial Lieutenant-Governor-in-Council, wide powers to regulate the transportation, packing, storage, and marketing of any or all natural products in the Province of Manitoba, Canada, was passed by the Provincial legislature on April 17, 1939, according to a report received from American Consul General George D. Hopper at Winnipeg.

The term "natural product" is defined as any product of agriculture or of the forest, sea, lake, or river - animals (including poultry), alive or killed; meats, eggs, wool, dairy products, grains, seeds, fruit and fruit products, vegetable products, honey, tobacco, lumber - and any article of food or drink, wholly or partially manufactured or derived from any such products.



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The Lieutenant-Governor-in-Council is given authority to set up a Manitoba Marketing Board, to consist of three members and such officers and other personnel as are deemed necessary. The Board will have the status of a corporation, and the Lieutenant-Governor-in-Council will fix the salaries of its members and staff.

Schemes for controlling the actual marketing of any of the products referred to may be established, amended, and revoked only by the Lieutenant-Governor-in-Council. Subsidiary boards, however, will be set up for administering such actual "schemes" of marketing control as may be established for any of the specified products. The members of these subsidiary boards may be appointed by the Lieutenant-Governor-in-Council or elected by associations of producers of the commodity in question. Any or all of the rights possessed by the Manitoba Marketing Board may be transferred to the subsidiary boards.

Among the powers that the Lieutenant-Governor-in-Council may vest in any subsidiary board established to administer a scheme are the following: (1) To regulate the time and place at which, and to designate the agency by and through which, any regulated product shall be packed, stored, or marketed; (2) to regulate the manner of distribution and the quantity or quality, grade or class, of the regulated product that shall be transported, packed, stored, or marketed by any person at any time; and (3) to prohibit in whole or in part the transportation, packing, storage, or marketing of any grade, quality, or class of any regulated product.

Any subsidiary board may also be given the right (1) to exempt any persons engaged in the production, transportation, storage, or marketing of a regulated product from the applicability of the scheme; (2) to require any or all persons engaged in the production, packing, storage, or marketing of the regulated product to register with, and obtain license from, the subsidiary board concerned; and (3) to fix and collect license fees or charges from persons producing, packing, transporting, storing, or marketing a regulated product for services rendered by the board.

Finally, the subsidiary boards may be empowered (1) to fix the minimum and maximum prices at which any grade or class of the regulated product may be bought or sold in different parts of the Province; (2) to demand full information from all persons engaged therein relating to the production, packing, transportation, storage, and marketing of a regulated product; and (3) to seize, remove, and dispose of any regulated product that is kept, transported, packed, stored, or marketed in violation of any order of the board concerned.

Responsibility for the application of the act and for the issuance of any regulations that may be necessary for carrying out its intent and purpose devolves upon the Lieutenant-Governor-in-Council. Of special interest is the provision authorizing the issuing of regulations, whenever such action is deemed advisable, governing the submission of proposed schemes to plebescites before they are actually put in operation.

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#### TURKISH TOBACCO LEGISLATION

Comprehensive legislation controlling the culture, transport, and trading of tobacco and regulating the manufacture, transportation and sale of tobacco products was recently enacted by the Grand National Assembly of Turkey, according to a report from Commercial Attaché Julian E. Gillespie at Istanbul, Turkey.

A law known as the Law on Tobacco and the Tobacco Monopoly was passed by the Turkish Government June 10, 1938 (published in Official Gazette No. 3943 of June 25, 1938), and went into effect 4 months after publication. The Council of Ministers is charged with its application.

Of particular interest to American companies is the provision that permits the unrestricted purchase and sale of leaf tobacco. Private individuals or companies may continue to purchase leaf tobacco directly from growers or merchants.

The law places the following activities under a State monopoly: (1) Purchase of leaf tobacco and *tombac* for curing, trading, and manufacture of cigarettes, cigars, snuff, chewing tobacco, pipe tobacco, etc., destined for domestic consumption; (2) importation from abroad of cigars, cut tobacco, cigarettes, snuff, chewing tobacco, *tombac*, and cigarette paper; and (3) sale in Turkey of the articles mentioned above. The Tobacco Monopoly is also authorized to have cigarette paper manufactured under its control in Turkey, and may sell abroad the tobacco, cigarettes, snuff, and other articles mentioned.

Trade in leaf tobacco is unrestricted within the provisions of the present law. The purchase of tobacco, however, its transportation in the interior of the country, warehousing, and loading on trains or ships for export are subject to the control of the Tobacco Monopoly.

It is provided that purchasing and selling operations between the farmer and merchant may take place only on tobacco that has already been baled. Such operations must be made on the basis of contracts, the form of which is to be fixed by the Ministry of Customs and Monopolies.

All merchants holding tobacco stocks are required to register them with the Tobacco Monopoly. No persons except farmers possessing control cards and merchants registered with the Monopoly are authorized to hold leaf tobacco.

The law provides that commissions of tobacco specialists and experts are to be formed to study the type of tobacco actually produced in Turkey from the point of view of variety and quality. They will decide upon the proper localities for the cultivation of tobacco, the best means of curing it, and the methods to improve the type used for manufacture, and will make researches and experiments in localities used by the Monopoly for the processing of leaf tobacco.

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